

**MULTIPLE SCLEROSIS FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

Years Ended December 31, 2010 and 2009



Mayer Hoffman McCann P.C.  
An Independent CPA Firm  
Goldstein Lewin Division

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors

### **MULTIPLE SCLEROSIS FOUNDATION, INC.**

We have audited the accompanying statements of financial position of Multiple Sclerosis Foundation, Inc. as of December 31, 2010 and 2009, and the related statements of activities and change in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 audits provide 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, 2010 and 2009, and the change in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

*Mayer Hoffman McCann P.C.*

Boca Raton, Florida  
April 7, 2011

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MULTIPLE SCLEROSIS FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 1,127,920	\$ 1,917,289
Unconditional promises to give and other receivables	155,879	102,062
Investments	794,844	14,975
Prepaid expenses	21,922	45,035
Property and equipment, net	203,806	118,237
Other assets	<u>48,724</u>	<u>23,476</u>
 TOTAL ASSETS	 <u>\$ 2,353,095</u>	 <u>\$ 2,221,074</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
LIABILITIES		
Accounts payable and accrued expenses	\$ 164,867	\$ 73,608
Deferred rent expense	<u>63,081</u>	<u>-</u>
 TOTAL LIABILITIES	 <u>\$ 227,948</u>	 <u>\$ 73,608</u>
NET ASSETS		
Unrestricted	2,095,625	2,141,089
Temporarily restricted	<u>29,522</u>	<u>6,377</u>
 TOTAL NET ASSETS	 <u>2,125,147</u>	 <u>2,147,466</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 2,353,095</u>	 <u>\$ 2,221,074</u>

See Notes to Financial Statements

**MULTIPLE SCLEROSIS FOUNDATION, INC.**

**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS**

Year Ended December 31, 2010

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>SUPPORT AND REVENUES</b>			
Contributions	\$ 6,428,086	\$ 23,145	\$ 6,451,231
Investment returns	(1,788)	-	(1,788)
Loss on disposal of fixed assets	(28,183)	-	(28,183)
	<b>6,398,115</b>	<b>23,145</b>	<b>6,421,260</b>
<b>EXPENSES</b>			
Program services	4,493,006	-	4,493,006
Fund-raising	1,373,604	-	1,373,604
Management and general	576,969	-	576,969
	<b>6,443,579</b>	<b>-</b>	<b>6,443,579</b>
<b>CHANGE IN NET ASSETS</b>	<b>(45,464)</b>	<b>23,145</b>	<b>(22,319)</b>
<b>NET ASSETS, January 1, 2010</b>	<b>2,141,089</b>	<b>6,377</b>	<b>2,147,466</b>
<b>NET ASSETS, December 31, 2010</b>	<b>\$ 2,095,625</b>	<b>\$ 29,522</b>	<b>\$ 2,125,147</b>

See Notes to Financial Statements

**MULTIPLE SCLEROSIS FOUNDATION, INC.**

**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS**

Year Ended December 31, 2009

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>SUPPORT AND REVENUES</b>			
Contributions	\$ 5,976,691	\$ -	\$ 5,976,691
Investment returns	26,293	-	26,293
	6,002,984	-	6,002,984
<b>TOTAL SUPPORT AND REVENUES</b>			
	6,002,984	-	6,002,984
<b>EXPENSES</b>			
Program expenses	4,150,267	-	4,150,267
Fund-raising	1,370,173	-	1,370,173
Management and general	453,015	-	453,015
	5,973,455	-	5,973,455
<b>TOTAL EXPENSES</b>			
	5,973,455	-	5,973,455
<b>CHANGE IN NET ASSETS</b>	29,529	-	29,529
<b>NET ASSETS, January 1, 2009</b>	2,111,560	6,377	2,117,937
<b>NET ASSETS, December 31, 2009</b>	\$ 2,141,089	\$ 6,377	\$ 2,147,466

See Notes to Financial Statements

**MULTIPLE SCLEROSIS FOUNDATION, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2010

	Program Services	Support Services		Total
		Fund-raising	Management	
Salaries and related costs	\$ 2,030,632	\$ 721,160	\$ 171,251	\$ 2,923,043
Professional services	466,419	251,149	-	717,568
Grants and donations	681,502	-	-	681,502
Printing and postage	393,928	105,047	26,262	525,237
Awareness and education	245,861	-	-	245,861
Rent	181,186	60,334	123,693	365,213
Executives salaries and related costs	149,648	32,533	78,077	260,258
Utilities	160,945	55,627	26,495	243,067
Depreciation	28,841	9,957	9,604	48,402
Miscellaneous	5,048	76,409	22,288	103,745
Professional fees	28,688	4,220	40,444	73,352
Equipment and furniture	36,085	12,474	4,126	52,685
Supplies	32,786	10,654	11,211	54,651
Building repairs and maintenance	32,282	10,746	11,285	54,313
Advertising	933	15,778	-	16,711
Insurance	16,817	5,814	1,923	24,554
Bank charges	-	-	27,632	27,632
Federal and state fees	-	-	8,150	8,150
Transportation	1,405	1,702	911	4,018
Moving expenses	-	-	13,617	13,617
<b>TOTAL EXPENSES</b>	<b>\$ 4,493,006</b>	<b>\$ 1,373,604</b>	<b>\$ 576,969</b>	<b>\$ 6,443,579</b>

See Notes to Financial Statements

**MULTIPLE SCLEROSIS FOUNDATION, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2009

	<u>Program Services</u>	<u>Support Services</u>		<u>Total</u>
		<u>Fund-raising</u>	<u>Management</u>	
Salaries and related costs	\$ 2,005,349	\$ 748,244	\$ 169,006	\$ 2,922,599
Professional services	476,047	256,333	-	732,380
Grants and donations	486,541	-	-	486,541
Printing and postage	392,969	104,792	26,198	523,959
Awareness and education	214,604	-	-	214,604
Rent	132,988	54,620	49,870	237,478
Executives salaries and related costs	132,866	28,884	69,322	231,072
Utilities	164,662	57,070	26,398	248,130
Depreciation	13,971	5,738	5,240	24,949
Miscellaneous	3,575	64,553	17,852	85,980
Professional fees	30,075	765	38,868	69,708
Equipment and furniture	36,346	12,115	4,214	52,675
Supplies	25,844	10,203	9,616	45,663
Building repairs and maintenance	15,607	6,410	5,853	27,870
Advertising	954	12,942	-	13,896
Insurance	16,139	5,380	1,871	23,390
Bank charges	-	-	19,135	19,135
Federal and state fees	40	-	8,416	8,456
Transportation	1,690	2,124	1,156	4,970
<b>TOTAL EXPENSES</b>	<u><u>\$ 4,150,267</u></u>	<u><u>\$ 1,370,173</u></u>	<u><u>\$ 453,015</u></u>	<u><u>\$ 5,973,455</u></u>

See Notes to Financial Statements

**MULTIPLE SCLEROSIS FOUNDATION, INC.**

**STATEMENTS OF CASH FLOWS**

Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (22,319)	\$ 29,529
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	48,403	24,949
Loss on disposal of fixed assets	28,183	-
Unrealized (gains) losses on investments	5,976	(1,323)
Donated computer software	(15,000)	-
Donated investment securities	-	(3,196)
Change in operating assets and liabilities:		
Unconditional promises to give and other receivables	(53,817)	(15,312)
Prepaid expenses	23,113	12,694
Other assets	(25,248)	-
Accounts payable, accrued expenses, and other	91,259	2,620
Deferred rent expense	63,081	-
	<u>143,631</u>	<u>49,961</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
	<u>143,631</u>	<u>49,961</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(147,155)	(58,098)
Redemption of short-term investments	-	998,854
Purchase of investments	(850,574)	-
Proceeds from sales of investments	64,729	3,752
	<u>(933,000)</u>	<u>944,508</u>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		
	<u>(933,000)</u>	<u>944,508</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(789,369)	994,469
<b>CASH AND CASH EQUIVALENTS, January 1</b>	<u>1,917,289</u>	<u>922,820</u>
<b>CASH AND CASH EQUIVALENTS, December 31</b>	<u><u>\$ 1,127,920</u></u>	<u><u>\$ 1,917,289</u></u>

See Notes to Financial Statements

# MULTIPLE SCLEROSIS FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### ( 1 ) Summary of significant accounting policies

**Nature of operations** - The Multiple Sclerosis Foundation, Inc. ("MSF") is a national nonprofit organization headquartered in Fort Lauderdale, Florida which benefits all individuals whose lives are touched by this chronic neurological disorder. Since 1986, MSF's mission has been to provide programs and support services to those persons affected by MS that help them maintain their health, safety, self-sufficiency, and personal well being and to heighten public awareness of MS in order to elicit financial support for MSF's programs and services and promote understanding for those diagnosed with the illness. MSF's programs are supported nationally, primarily by contributions from individuals and corporations.

**Financial statement presentation** - MSF reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**Income tax status** - MSF is currently exempt from income taxes under the provisions of Internal Revenue Code Section 501(c)(3).

MSF believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

**Use of estimates** - The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents** - MSF considers all highly liquid investments, except for those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

**Property and equipment** - Property and equipment are recorded at cost if purchased and at their estimated fair value if donated. Property and equipment donations are reported as unrestricted support unless the donor has restricted the use of the asset for a specific purpose. Contributions of cash, other assets and unconditional promises to give that are restricted for the purpose of acquiring property and equipment are reported as restricted support. When there are no explicit donor stipulations about how long those long-lived assets must be maintained, MSF reports expirations of donor restrictions when the acquired long-lived assets are placed in service. These expirations of donor restrictions are reported as reclassifications to unrestricted net assets.

MSF's policy is to capitalize all assets with a cost greater than \$300.

MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

( 1 ) Summary of significant accounting policies (continued)

**Depreciation** - Depreciation is computed using accelerated methods over the following estimated useful lives:

<u>Assets</u>	<u>Useful Lives</u>
Leasehold improvements	Shorter of lease term or 39 years
Furniture and equipment	7 years
Computer hardware	5 years
Software	3 years

**Fair value measurements** - Assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that MSF has the ability to access.
- Level 2 - Valuations based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Valuations derived from inputs that are unobservable.

There are three general valuation techniques that may be used to measure fair value

- Market Approach - Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sales transactions, market trades or other sources.
- Cost Approach - Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost).
- Income Approach - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized as Level 3.

# MULTIPLE SCLEROSIS FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### (1) Summary of significant accounting policies (continued)

**Investments** - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investments in marketable equity securities are valued based on quoted prices in active markets in the statement of financial position. Donated securities are recorded at their fair value on the date of the gift and are generally immediately sold. Real estate is recorded at fair value as of the dates the real estate is donated. Thereafter, such real estate investments are carried at current appraised values. Realized and unrealized gains and losses are included in investment income in the accompanying statements of activities and change in net assets, net of expenses.

**Contributions and promises to give** - Contributions of cash, other assets, and unconditional promises to give are recognized when received from the donor. Classification of these contributions as unrestricted, temporarily restricted or permanently restricted is based upon any donor imposed stipulations that limit the use of the donated assets. When a donor imposed restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional promises to give are recognized at their fair value based on the present value of estimated future cash flows using a discount rate commensurate with the risks involved.

Conditional promises to give are recognized as support when the donor imposed conditions have been met. Conditional promises to give depend on the occurrence of a specified and uncertain event.

Cash received with donor imposed restrictions limiting its use to long-term purposes is not considered cash for purposes of the statement of cash flows.

MSF uses the allowance method to estimate uncollectible unconditional promises to give. The allowance is based on prior experience and management's analysis of specific promises made.

**Contributed services** - Contributed services are recognized if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

**Advertising** - MSF uses advertising to promote its programs and services. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2010 and 2009 were \$16,711 and \$13,896, respectively.

**Joint cost allocation** - During 2010 and 2009, MSF incurred joint costs of \$717,568 and \$732,380, respectively, for informational materials and activities that included fund-raising appeals. MSF allocated \$251,149 and \$256,333 of these costs to fund-raising expense in 2010 and 2009, respectively, and \$466,419 and \$476,047 of these costs to program services in 2010 and 2009, respectively.

**MULTIPLE SCLEROSIS FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**( 1 ) Summary of significant accounting policies (continued)**

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

**Reclassification** - Certain 2009 amounts have been reclassified to conform with the 2010 financial statement presentation.

**( 2 ) Unconditional promises to give and other receivables**

Unconditional promises to give 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. All unconditional promises to give and other receivables are expected to be realized in one year or less.

**( 3 ) Investments**

Investments are stated at fair value and consist of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Equity securities	\$ -	\$ 3,083
International equity index funds	125,472	-
Russell 2000 index fund	6,671	-
Market linked deposits	575,639	-
U.S. Government bond	75,170	-
Donated land and property	11,892	11,892
	<u>\$ 794,844</u>	<u>\$ 14,975</u>

The following schedule summarizes the investment returns in the statements of activities and change in net assets for the years ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Gains (losses)	\$ (3,042)	\$ 1,323
Interest and dividend income	2,053	24,970
Investment fees	(799)	-
	<u>\$ (1,788)</u>	<u>\$ 26,293</u>

**MULTIPLE SCLEROSIS FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**( 4 ) Fair value measurements**

Fair values of assets measured on a recurring basis at December 31, 2010 and 2009 are as follows:

		<u>Fair Value Measurements Using:</u>		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2010:</u>	<u>Fair Value</u>			
International equity index funds	\$ 125,472	\$ 125,472	\$ -	\$ -
Russell 2000 index fund	6,671	6,671	-	-
Market linked deposits	575,639	-	575,639	-
Government bond	75,170	75,170	-	-
Donated land and timeshare	11,892	-	11,892	-
	<u>\$ 794,844</u>	<u>\$ 207,313</u>	<u>\$ 587,531</u>	<u>\$ -</u>
<u>December 31, 2009:</u>				
Equity securities	\$ 3,083	\$ 3,083	\$ -	\$ -
Donated land and timeshare	11,892	-	11,892	-
	<u>\$ 14,975</u>	<u>\$ 3,083</u>	<u>\$ 11,892</u>	<u>\$ -</u>

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets using the market approach. Investments in market linked deposits were valued based primarily on quoted prices for similar assets in secondary, or less active, markets using the income approach. The investments in the land and time share were valued based on appraised values for the properties using the market approach.

**( 5 ) Bequests**

MSF has received indications of gifts in the form of bequests which are revocable during the donors' lifetime. Due to the uncertain nature of these intentions, MSF has not recognized an asset or contribution revenue for these gifts. The estimated total intentions to give aggregated approximately \$1,437,000 and \$1,165,000 at December 31, 2010 and 2009, respectively.

**( 6 ) Short-term investments**

Short-term investments consisted of five certificates of deposits totaling \$1,000,000 that bore interest at rates ranging from 2% to 2.65%. These certificates of deposit matured in December 2009 and were converted to cash and cash equivalents.

MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

( 7 ) Property and equipment

As of December 31, 2010 and 2009, property and equipment consisted of the following:

	<u>2010</u>	<u>2009</u>
Equipment	\$ 34,562	\$ 55,973
Furniture	22,680	25,683
Computer hardware	141,967	175,865
Leasehold improvements	102,486	43,574
Software	309,643	293,928
Signs	2,515	-
Total cost	<u>613,853</u>	<u>595,023</u>
Accumulated depreciation	<u>410,047</u>	<u>476,786</u>
	<u>\$ 203,806</u>	<u>\$ 118,237</u>

Depreciation expense was \$48,402 and \$24,949 for the years ended December 31, 2010 and 2009, respectively.

( 8 ) Commitments

Through September 2010, MSF leased office space in Fort Lauderdale, Florida under two non-cancelable operating leases expiring in December 2010 and April 2011. On April 22, 2010, MSF entered into a new non-cancelable operating lease agreement for office facilities in Fort Lauderdale, Florida to provide additional space and to replace the existing leases. The new lease commenced in September 2010, expires December 31, 2022, and provides for two five year renewal options at increased monthly rents. Under the terms of the new lease, MSF received a four month abatement of base rents which increase beginning January 2014 through the end of the lease term. Rent expense includes base rent, which is recognized monthly on the straight-line basis over the initial term of the new lease, plus maintenance, taxes and other allocable costs. Deferred rent expense related to the new lease totaled \$63,081 at December 31, 2010.

MSF is obligated to make payments on the abandoned lease expiring in April 2011. In accordance with GAAP, a liability for costs that will continue to be incurred under a contract for its remaining term without economic benefit to MSF is required to be recognized at the date it is no longer used. As a result, MSF recognized additional rent expense of approximately \$61,000 during 2010, which is included in accounts payable and accrued expenses in the accompanying statement of financial position as of December 31, 2010. This liability will be reduced over the remaining term of the abandoned lease through April 2011.

MSF also leases office equipment under non-cancelable operating leases that expire in various years through 2014.

MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

( 8 ) Commitments (continued)

Future minimum rental payments under leases with remaining non-cancelable terms in excess of one year are as follows:

Years Ending December 31,

2011	\$	228,000
2012		226,300
2013		223,500
2014		187,100
2015		192,000
Thereafter		<u>1,416,000</u>
	\$	<u>2,472,900</u>

Rental expense under operating leases was \$408,371 and \$281,916, respectively, for the years ended December 31, 2010 and 2009 and is included in equipment and furniture and rent expenses in the accompanying statements of functional expenses.

( 9 ) Temporarily restricted net assets

Temporarily restricted net assets as of December 31, 2010 and 2009 are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Program services in Monroe County, Florida	\$ 6,377	\$ 6,377
25th Anniversary Gala	23,145	-
	<u>\$ 29,522</u>	<u>\$ 6,377</u>

( 10 ) Subsequent events

MSF has evaluated subsequent events through April 7, 2011, which is the date the financial statements were available to be issued. Management is not aware of any events that have occurred subsequent to the statement of financial position date that would require adjustment to, or disclosure in, the financial statements.