

**MULTIPLE SCLEROSIS FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

Years Ended December 31, 2009 and 2008



**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, 2009 and 2008, 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, 2009 and 2008, 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  
March 10, 2009

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MULTIPLE SCLEROSIS FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 1,917,289	\$ 922,820
Short-term investments	-	998,854
Unconditional promises to give and other receivables	102,062	86,750
Investment in marketable equity securities	3,083	2,316
Investment in property	11,892	11,892
Prepaid expenses	45,035	57,729
Property and equipment, net	118,237	85,088
Other assets	23,476	23,476
	<u>2,221,074</u>	<u>2,188,925</u>
TOTAL ASSETS	<u>\$ 2,221,074</u>	<u>\$ 2,188,925</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
LIABILITIES		
Accounts payable, accrued expenses, and other	<u>\$ 73,608</u>	<u>\$ 70,988</u>
NET ASSETS		
Unrestricted	2,141,089	2,111,560
Temporarily restricted	<u>6,377</u>	<u>6,377</u>
TOTAL NET ASSETS	<u>2,147,466</u>	<u>2,117,937</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,221,074</u>	<u>\$ 2,188,925</u>

See Notes to Financial Statements

**MULTIPLE SCLEROSIS FOUNDATION, INC.**

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

Year Ended December 31, 2009

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

See Notes to Financial Statements

**MULTIPLE SCLEROSIS FOUNDATION, INC.**

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

Year Ended December 31, 2008

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>SUPPORT AND REVENUES</b>			
Contributions	\$ 5,661,464	\$ -	\$ 5,661,464
Interest and dividends	64,151	-	64,151
<b>TOTAL SUPPORT AND REVENUES</b>	<b>5,725,615</b>	<b>-</b>	<b>5,725,615</b>
 <b>EXPENSES</b>			
Program expenses	4,162,743	-	4,162,743
Fund-raising	1,280,276	-	1,280,276
Management and general	492,639	-	492,639
<b>TOTAL EXPENSES</b>	<b>5,935,658</b>	<b>-</b>	<b>5,935,658</b>
 <b>CHANGE IN NET ASSETS</b>	 (210,043)	 -	 (210,043)
 NET ASSETS, January 1, 2008	 2,321,603	 6,377	 2,327,980
 NET ASSETS, December 31, 2008	 \$ 2,111,560	 \$ 6,377	 \$ 2,117,937

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>\$ 4,150,267</u>	<u>\$ 1,370,173</u>	<u>\$ 453,015</u>	<u>\$ 5,973,455</u>

See Notes to Financial Statements

**MULTIPLE SCLEROSIS FOUNDATION, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2008

	Program Services	Support Services		Total
		Fund-raising	Management	
Salaries and related costs	\$ 1,815,364	\$ 633,548	\$ 161,884	\$ 2,610,796
Professional services	509,606	274,403	-	784,009
Grants and donations	613,609	-	-	613,609
Printing and postage	397,989	106,130	26,533	530,652
Awareness and education	260,089	-	-	260,089
Rent	142,440	58,501	53,414	254,355
Executives salaries and related costs	136,065	29,579	70,991	236,635
Utilities	123,189	43,083	21,045	187,317
Depreciation	41,318	16,970	15,494	73,782
Miscellaneous	5,680	61,986	32,174	99,840
Professional fees	20,908	-	56,433	77,341
Equipment and furniture	34,708	11,569	4,024	50,301
Supplies	27,306	10,448	9,516	47,270
Building repairs and maintenance	13,434	5,518	5,038	23,990
Advertising	3,085	18,901	-	21,986
Insurance	16,153	5,384	1,873	23,410
Bank charges	-	-	24,514	24,514
Federal and state fees	-	-	8,559	8,559
Transportation	1,800	4,256	1,147	7,203
<b>TOTAL EXPENSES</b>	<b>\$ 4,162,743</b>	<b>\$ 1,280,276</b>	<b>\$ 492,639</b>	<b>\$ 5,935,658</b>

See Notes to Financial Statements

**MULTIPLE SCLEROSIS FOUNDATION, INC.**

**STATEMENTS OF CASH FLOWS**

Years Ended December 31, 2009 and 2008

	<b>2009</b>	<b>2008</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 29,529	\$ (210,043)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	24,949	73,782
Realized and unrealized (gains) losses on investments	(1,323)	1,297
Donated investment securities	(3,196)	(2,316)
Change in operating assets and liabilities:		
Pledges and other receivables	(15,312)	1,247
Prepaid expenses	12,694	344
Accounts payable, accrued expenses, and other	2,620	(61,891)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>49,961</b>	<b>(197,580)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(58,098)	(7,744)
Redemption of short-term investments	998,854	-
Purchase of short-term investments	-	(1,000,000)
Proceeds from sale of investments	3,752	7,986
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>944,508</b>	<b>(999,758)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>994,469</b>	<b>(1,197,338)</b>
<b>CASH AND CASH EQUIVALENTS, January 1</b>	<b>922,820</b>	<b>2,120,158</b>
<b>CASH AND CASH EQUIVALENTS, December 31</b>	<b>\$ 1,917,289</b>	<b>\$ 922,820</b>

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** - In accordance with ASC 958, 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. As of December 31, 2009 and 2008, MSF had \$6,377 of net assets temporarily restricted for program services to be provided in Monroe County, Florida and had no permanently restricted net assets.

**Reclassification** - Certain reclassifications have been made to the 2008 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

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

**Recently adopted accounting standards** - In June 2009, the Financial Accounting Standards Board ("FASB") issued the Accounting Standards Codification ("ASC") to serve as the single source of authoritative U.S. generally accepted accounting principles. MSF adopted the ASC on July 1, 2009. Adoption did not have an impact on its financial statements. References to specific accounting standards have been changed to refer to the appropriate section of the ASC.

Effective January 1, 2009, MSF adopted the provisions of ASC 855 that establishes general standards for accounting and disclosure of events occurring subsequent to the balance sheet date but prior to issuance of the financial statements. See Note 9 for the required disclosures related to subsequent events.

Effective January 1, 2009, MSF adopted the provisions of ASC 740-10, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in the tax return. This adoption did not have a material impact on MSF's 2009 financial statements. MSF evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures and discussions with outside experts.

**Use of estimates** - The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

( 1 ) Summary of significant accounting policies (Continued)

**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.

**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** – ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC 820 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. ASC 820 includes provisions that require expanded disclosure of the effect on earnings for items measured using unobservable data.

ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable input be used when available. Observable inputs are inputs that the market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of MSF. Unobservable inputs are inputs that reflect MSF's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is measured in three levels based on the reliability of inputs:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that MSF has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments.

# MULTIPLE SCLEROSIS FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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

- Level 2 - Valuations based on quoted prices in less active, dealer or broker markets. Fair values are primarily obtained from third party pricing services for identical or comparable assets or liabilities.
- Level 3 - Valuations derived from other valuation methodologies, including pricing models, discounted cash flow models and similar techniques, and not based on market, exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and significant professional judgment in determining the fair value assigned to such 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 level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

**Investments** - MSF follows ASC 958-320, which requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the statement of financial position. Investments in marketable equity securities are valued based on quoted prices in active markets (Level 1 measurements). Realized and unrealized gains and losses are included in the change in unrestricted net assets in the accompanying statement of activities net of expenses, unless their use is temporarily or permanently restricted by donor stipulation. Donated securities are recorded at their fair value on the date of the gift and are generally immediately sold by MSF. 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 (Level 3 measurements).

**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.

# MULTIPLE SCLEROSIS FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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

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, 2009 and 2008 were \$13,896 and 21,986, respectively.

**Joint cost allocation** - During 2009 and 2008, MSF incurred joint costs of \$732,380 and \$784,009, respectively, for informational materials and activities that included fund-raising appeals. MSF allocated \$256,333 and \$274,403 of these costs to fund-raising expense in 2009 and 2008, respectively, and \$476,047 and \$509,606 of these costs to program services in 2009 and 2008, respectively.

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

### ( 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 ) 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 aggregate approximately \$1,165,000 at December 31, 2009.

### ( 4 ) Short-term investments

At December 31, 2008, MSF's short-term investments consisted of five certificates of deposits in the amount of \$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**

**( 5 ) Property and equipment**

As of December 31, 2009 and 2008, property and equipment consisted of the following:

	<b>2009</b>	<b>2008</b>
Equipment	\$ 55,973	\$ 54,278
Furniture	25,683	25,683
Computer hardware	175,865	167,963
Leasehold improvements	43,574	43,574
Software	293,928	245,427
Total cost	595,023	536,925
Accumulated depreciation	476,786	451,837
Net property and equipment	\$ 118,237	\$ 85,088

Depreciation expense was \$24,949 and \$73,782 for the years ended December 31, 2009 and 2008, respectively.

**( 6 ) Commitments**

MSF leases office space in Fort Lauderdale, Florida, under two operating leases that expire December 31, 2010 and April 30, 2011. Additionally, MSF leases office equipment under operating leases that expire in various years through 2011. Future minimum rental payments under leases with remaining non-cancelable terms in excess of one year are as follows:

<u>Years Ending December 31,</u>	
2010	\$ 186,314
2011	45,482
Total minimum payments	\$ 231,796

**( 7 ) Contingencies**

MSF is involved in certain employment related claims. While the final outcome of these matters cannot be determined at this time, management is of the opinion that the ultimate resolution of these matters will not have a material effect on MSF's financial statements.

**( 8 ) Concentration of credit risk**

MSF maintains cash and cash equivalents in financial institutions that exceed federally insured limits of \$250,000. MSF has not experienced any loss in such accounts. As of December 31, 2009, the uninsured balance is \$1,728,021.

MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

(9) Subsequent events

MSF has evaluated subsequent events through March 10, 2010, 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.