

MULTIPLE SCLEROSIS FOUNDATION, INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 1996

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Multiple Sclerosis Foundation, Inc.

I have audited the accompanying balance sheet of the Multiple Sclerosis Foundation, Inc. as of December 31, 1996, and the related statements of revenue and expenses and changes in fund balances and of functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the results of its operations and changes in fund balances for the year then ended in conformity with generally accepted accounting principles.

Sunrise, Florida  
November 12, 1997



MULTIPLE SCLEROSIS FOUNDATION, INC.  
BALANCE SHEET  
DECEMBER 31, 1996

ASSETS

Current Assets		
Cash (Note 1)	\$9,532	
Pledges and bequests receivable (Note 1)	190,255	
Pre-paid expenses	14,190	\$213,977
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Non-current assets		
Furniture and equipment		
less acumulated depreciation		
of \$131,104 (Note 1)	124,738	
Investment in real estate (Note 1)	3,000	
Security deposit	9,900	137,638
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		-----
		\$351,615
		=====

LIABILITIES AND FUND BALANCES

Current Liabilities		
Accounts payable and accrued liabilities (Note 3)		\$202,332
Commitments and contingencies (Note 5)		-
Fund balance - unrestricted (Note 1)		149,283
		-----
		\$351,615
		=====

MULTIPLE SCLEROSIS FOUNDATION, INC.  
STATEMENT OF REVENUES AND EXPENSES, AND CHANGES  
IN FUND BALANCES  
DECEMBER 31, 1996

Revenues		
Public support - contributions (Note 1)	\$4,039,291	
Interest	2,594	
	-----	
Total revenues		\$4,041,885
Expenses (Note 1)		
Program services (Notes 5, 6 and 7)	\$2,782,022	
Management and general services (Note 4)	135,524	
Fund raising services	1,174,103	
	-----	
		4,091,649
		-----
Excess of expenses over revenues		(49,764)
Fund balance, beginning of year		199,047
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Fund balance, end of year (Note 1)		\$149,283
		=====

MULTIPLE SCLEROSIS FOUNDATION, INC.  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 1996

Cash flows from operating activities:	
Excess of expenses over revenues	(\$49,764)
Adjustment to reconcile excess of expenses over revenues to net cash from operating activities:	
Depreciation	35,434
Changes in assets and liabilities:	
Prepaid expenses	(4,310)
Accounts payable	153,108
Accrued payroll	(8)
Accrued payroll taxes	(3,297)
Accrued profit sharing plan	(25,000)
Accounts receivable	(190,255)
	<u>          </u>
Net cash used in operating activities	(84,092)
	<u>          </u>
Cash flows from investing activities:	
Capital expenditures	(47,580)
	<u>          </u>
Net cash used in investing activities	(131,672)
	<u>          </u>
Net changes in cash and cash equivalents	
Cash and cash equivalents at beginning of year	141,204
	<u>          </u>
Cash and cash equivalents at end of year	<u><u>          </u></u> <u>          </u>

MULTIPLE SCLEROSIS FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 1996

	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>
<b>Expenses</b>				
Advertising	\$3,883	\$3,323	\$224	\$336
Bank charges	31,911	27,124	1,915	2,872
Travel	23,172	20,644	1,517	1,011
Utilities	296,473	239,673	15,712	41,088
Professional fees	22,555	19,172	1,353	2,030
Professional services	1,833,674	916,837	-	916,837
General expense	81,183	30,712	4,095	46,376
Supplies	57,022	47,410	3,845	5,767
Printing	72,667	65,400	-	7,267
Rent	115,034	97,779	6,902	10,353
Program service	76,573	76,491	82	-
Fees	14,573	13,117	553	903
Insurance	56,660	45,827	4,115	6,718
Payroll-officers and directors	96,239	82,854	4,874	8,511
Payroll-other	825,480	683,852	32,614	109,014
Payroll-taxes	65,469	54,339	2,619	8,511
Equipment-rental and maintenance	105,882	96,179	3,882	5,821
Public relations	20,128	20,128	-	-
Grants, gifts and donations	236,776	236,776	-	-
Miscellaneous	20,861	4,385	15,788	688
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Total expenses before depreciation	4,056,215	2,782,022	100,090	1,174,103
Depreciation	35,434	-----	35,434	-----
	-----	-----	-----	-----
<b>Total expenses</b>	<b>\$4,091,649</b>	<b>\$2,782,022</b>	<b>\$135,524</b>	<b>\$1,174,103</b>
	=====	=====	=====	=====

MULTIPLE SCLEROSIS FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1996

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Multiple Sclerosis Foundation, Inc. was incorporated under the Florida non-profit law in 1986. The Foundation was organized in order to educate the public about traditional and non-traditional options for treatment to ensure the best quality of life for people with multiple sclerosis through support services and to aid in research in discovering the cause, treatment and cure of multiple sclerosis.

Basis of Presentation

The significant accounting policies followed by the Foundation conform to the requirements of the industry audit guide entitled "Audits of Voluntary Health and Welfare Organizations" published by the American Institute of Certified Public Accountants. The Foundation's financial statements are prepared on the accrual basis of accounting.

Investments

Investment in real estate, which was donated to the Foundation in 1989, is carried at its market value at date of receipt.

Fund Accounting

The board has discretionary control over all funds and therefore all funds have been classified as unrestricted.

Joint Cost Allocation

In 1996, the Foundation incurred joint costs of \$1,833,674 from a combined educational campaign and fundraising solicitation. Of those costs, utilizing the physical units method, \$916,837 was allocated to program services and \$916,837 was allocated to fundraising expense.

Furniture and Equipment

Furniture and equipment and leasehold improvements are stated at cost except for donated equipment, which is stated at fair market value at date of receipt. The provision for depreciation is computed on the straight line method over the estimated useful lives of the assets. As of December 31, 1996 furniture and equipment and leasehold improvements consisted of the following:

MULTIPLE SCLEROSIS FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
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Leasehold improvements	\$ 30,707
Furniture and fixtures	113,062
Computers	112,073
	<u>-----</u>
	\$ 255,842
Less accumulated depreciation	131,104
	<u>-----</u>
	<u>=====</u>
	\$ 124,738

Cash Equivalents

Holding of money market funds are considered to be cash equivalents by the Foundation.

Revenue Recognition

The Foundation 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 the donor makes an unconditional promise to donate.

NOTE 2 INCOME TAX STATUS

The Foundation 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). The Foundation files its tax return on the accrual basis of accounting. Additionally, since the Foundation is publicly supported, contributions qualify for the maximum charitable contribution deduction under the Internal Revenue Code.

NOTE 3 ACCOUNTS PAYABLE

Accounts payable as of December 31, 1996 consists of the following:

Trade payables	\$ 175,280
Accrued payroll	12,204
Payroll taxes	1,060
Accrued professional services	13,788
	<u>-----</u>
	<u>=====</u>
	\$ 202,332



MULTIPLE SCLEROSIS FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
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NOTE 4 PROFIT SHARING PLAN

The board of directors adopted a profit sharing plan effective for 1995. The plan is classified as a profit sharing plan for purposes of section 401(a) and section 404(a)(3) of the Internal Revenue Code. The plan allows the board the option of contributing to the plan each year, an amount between zero and 15% of the payroll of eligible participants. The board elected not to contribute to the plan in the current year.

NOTE 5 COMMITMENT AND CONTINGENCIES

LEASES:

The foundation leases office space in Fort Lauderdale, Florida and Denver, Colorado under operating leases that expire January 31, 2001 and July 31, 1998, respectively. Future minimum rental payments under leases with remaining noncancellable terms in excess of one year are:

Year ending December 31	Florida	Colorado
1997	\$ 72,306	\$ 14,850
1998	75,921	7,425
1999	75,921	-
2000	75,921	-
Thereafter	6,327	-
	-----	-----
Total minimum payments	\$ 306,396	\$ 22,275
	=====	=====

AFFILIATION AGREEMENT:

On August 30, 1994 the foundation entered into an agreement with a non-affiliated Multiple Sclerosis state society. The foundation supplied administrative and fund raising expertise along with the opportunity to coordinate joint appeals with the state society. The foundation was obligated to fund any deficit in the operating budget of the society. In 1996 the operating deficit was approximately \$78,000 which included salaries of \$39,583 paid to two employees of the foundation for consulting services. The agreement expires on February 28, 2000, however, it may be cancelled by either party by giving 180 day notice.

NOTE 6 RELATED PARTY TRANSACTION

In 1996 the foundation paid \$150,000 to a not-for-profit corporation, who shares the same management as the foundation, in order to fund a pilot study to assist people with home health care, especially multiple sclerosis. The foundation took over the operation of the home health not-for-profit corporation at the end of 1996.

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NOTES TO FINANCIAL STATEMENTS  
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NOTE 7 GRANTS

Included in grants is approximately \$78,000 (Note 5) paid to a new affiliated multiple sclerosis state society and \$150,000 paid to a related party (Note 6).