

MULTIPLE SCLEROSIS FOUNDATION, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Multiple Sclerosis Foundation, Inc.

We have audited the accompanying financial statements of Multiple Sclerosis Foundation, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and change in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Adjustment

As discussed in Note 8 to the financial statements, the Organization identified two perpetual trusts established for the benefit of the Organization in a previous year that should have been recorded as beneficial interest in perpetual trusts and permanently restricted net assets. Accordingly, beneficial interest in trusts and permanently restricted net assets as previously reported have been adjusted. Our opinion is not modified with respect to this matter.

Mayer Hoffman McCann P.C.

Boca Raton, Florida
May 11, 2018

MULTIPLE SCLEROSIS FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| <u>ASSETS</u> | | |
| Cash and cash equivalents | \$ 1,893,031 | \$ 2,367,775 |
| Unconditional promises to give and other receivables | 424,661 | 423,531 |
| Investments | 3,141,468 | 2,808,525 |
| Beneficial interest in perpetual trusts | 808,397 | 728,919 |
| Prepaid expenses | 78,119 | 82,614 |
| Property and equipment, net | 132,137 | 161,233 |
| Other assets | 15,000 | 15,000 |
| | <u>6,492,813</u> | <u>6,587,597</u> |
| TOTAL ASSETS | <u>\$ 6,492,813</u> | <u>\$ 6,587,597</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 266,832 | \$ 271,123 |
| Deferred rent expense | 79,784 | 88,540 |
| | <u>346,616</u> | <u>359,663</u> |
| TOTAL LIABILITIES | <u>346,616</u> | <u>359,663</u> |
| NET ASSETS | | |
| Unrestricted | 5,309,044 | 5,478,265 |
| Temporarily restricted | 28,756 | 20,750 |
| Permanently restricted | 808,397 | 728,919 |
| | <u>6,146,197</u> | <u>6,227,934</u> |
| TOTAL NET ASSETS | <u>6,146,197</u> | <u>6,227,934</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 6,492,813</u> | <u>\$ 6,587,597</u> |

See Notes to Financial Statements

MULTIPLE SCLEROSIS FOUNDATION, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended December 31, 2017

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| SUPPORT AND REVENUES | | | | |
| Contributions | \$ 5,695,979 | \$ 28,756 | \$ - | \$ 5,724,735 |
| Special events, net of direct benefits to donors of \$8,434 | (3,434) | - | - | (3,434) |
| Other revenue | 1,522,889 | - | - | 1,522,889 |
| Investment returns | 295,856 | - | 79,478 | 375,334 |
| Net assets released from restrictions | 20,750 | (20,750) | - | - |
| TOTAL SUPPORT AND REVENUES | 7,532,040 | 8,006 | 79,478 | 7,619,524 |
| EXPENSES | | | | |
| Program services | 4,768,553 | - | - | 4,768,553 |
| Fund-raising | 2,264,481 | - | - | 2,264,481 |
| Management and general | 668,227 | - | - | 668,227 |
| TOTAL EXPENSES | 7,701,261 | - | - | 7,701,261 |
| CHANGE IN NET ASSETS | (169,221) | 8,006 | 79,478 | (81,737) |
| NET ASSETS, January 1, 2017 | 5,478,265 | 20,750 | 728,919 | 6,227,934 |
| NET ASSETS, December 31, 2017 | \$ 5,309,044 | \$ 28,756 | \$ 808,397 | \$ 6,146,197 |

See Notes to Financial Statements

MULTIPLE SCLEROSIS FOUNDATION, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended December 31, 2016

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| SUPPORT AND REVENUES | | | | |
| Contributions | \$ 6,444,356 | \$ 20,750 | \$ - | \$ 6,465,106 |
| Special events, net of direct benefits to donors of \$135,372 | (29,813) | - | - | (29,813) |
| Other revenue | 1,075,591 | - | - | 1,075,591 |
| Investment returns | 108,360 | - | 20,290 | 128,650 |
| Net assets released from restrictions | 124,727 | (124,727) | - | - |
| TOTAL SUPPORT AND REVENUES | 7,723,221 | (103,977) | 20,290 | 7,639,534 |
| EXPENSES | | | | |
| Program services | 5,471,250 | - | - | 5,471,250 |
| Fund-raising | 1,726,715 | - | - | 1,726,715 |
| Management and general | 606,831 | - | - | 606,831 |
| TOTAL EXPENSES | 7,804,796 | - | - | 7,804,796 |
| CHANGE IN NET ASSETS | (81,575) | (103,977) | 20,290 | (165,262) |
| NET ASSETS, January 1, 2016, as previously reported | 5,559,840 | 124,727 | - | 5,684,567 |
| Restatement for beneficial interest in perpetual trusts | - | - | 708,629 | 708,629 |
| NET ASSETS, December 31, 2016 | \$ 5,478,265 | \$ 20,750 | \$ 728,919 | \$ 6,227,934 |

See Notes to Financial Statements

MULTIPLE SCLEROSIS FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2017

| | Program Services | Support Services | | Total |
|--|-----------------------------|-------------------------|-------------------|---------------------|
| | | Fund-raising | Management | |
| Salaries and related costs | \$ 1,882,416 | \$ 1,534,038 | \$ 156,314 | \$ 3,572,768 |
| Grants and donations | 1,032,139 | - | - | 1,032,139 |
| Printing and postage | 376,149 | 198,554 | 85,608 | 660,311 |
| Awareness and education | 542,110 | - | - | 542,110 |
| Professional services | 252,315 | 135,861 | - | 388,176 |
| Executives' salaries and related costs | 178,918 | 35,259 | 71,043 | 285,220 |
| Rent | 92,274 | 92,273 | 92,273 | 276,820 |
| Utilities | 32,243 | 134,532 | 32,243 | 199,018 |
| Professional fees | 181,237 | 24,311 | 35,255 | 240,803 |
| Miscellaneous | 8,213 | 28,142 | 32,993 | 69,348 |
| Advertising | 91,180 | 9,718 | 1,337 | 102,235 |
| Supplies | 13,474 | 1,414 | 66,063 | 80,951 |
| Equipment and furniture | 38,161 | 26,474 | 5,893 | 70,528 |
| Building repairs and maintenance | 13,050 | 13,050 | 13,051 | 39,151 |
| Depreciation | 19,608 | 19,608 | 19,607 | 58,823 |
| Bank charges | - | - | 38,042 | 38,042 |
| Insurance | 14,813 | 11,247 | 1,372 | 27,432 |
| Federal and state fees | - | - | 16,318 | 16,318 |
| Transportation | 253 | - | 815 | 1,068 |
| TOTAL EXPENSES | \$ 4,768,553 | \$ 2,264,481 | \$ 668,227 | \$ 7,701,261 |

See Notes to Financial Statements

MULTIPLE SCLEROSIS FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2016

| | Program | Support Services | | Total |
|---|---------------------|-------------------------|-------------------|---------------------|
| | Services | Fund-raising | Management | |
| Salaries and related costs | \$ 2,601,781 | \$ 965,670 | \$ 126,338 | \$ 3,693,789 |
| Grants and donations | 1,156,492 | - | - | 1,156,492 |
| Printing and postage | 480,631 | 137,917 | 32,555 | 651,103 |
| Awareness and education | 430,051 | - | - | 430,051 |
| Professional services | 271,266 | 146,067 | - | 417,333 |
| Executives' salaries and related costs | 188,851 | 37,165 | 74,935 | 300,951 |
| Rent | 91,879 | 91,879 | 91,880 | 275,638 |
| Utilities | 19,063 | 132,573 | 46,291 | 197,927 |
| Professional fees | 38,934 | 114,906 | 32,298 | 186,138 |
| Miscellaneous | 7,713 | 50,000 | 34,728 | 92,441 |
| Advertising | 76,763 | 12,655 | 91 | 89,509 |
| Office supplies | 14,033 | 1,499 | 65,467 | 80,999 |
| Equipment and furniture | 42,923 | 3,066 | 15,330 | 61,319 |
| Advertising | 18,031 | 18,031 | 18,031 | 54,093 |
| Depreciation Building repairs and mainter | 13,939 | 13,938 | 13,938 | 41,815 |
| Bank charges | - | - | 30,436 | 30,436 |
| Insurance | 18,886 | 1,349 | 6,745 | 26,980 |
| Federal and state fees | - | - | 16,653 | 16,653 |
| Transportation | 14 | - | 1,115 | 1,129 |
| TOTAL EXPENSES | \$ 5,471,250 | \$ 1,726,715 | \$ 606,831 | \$ 7,804,796 |

See Notes to Financial Statements

MULTIPLE SCLEROSIS FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|--|-------------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (81,737) | \$ (165,262) |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | |
| Depreciation | 58,823 | 41,815 |
| Realized and unrealized (gains) losses on investments | (337,767) | (83,429) |
| Change in operating assets and liabilities: | | |
| Unconditional promises to give and other receivables | (1,130) | (174,087) |
| Prepaid expenses | 4,495 | 12,853 |
| Accounts payable and accrued expenses | (4,292) | 84,920 |
| Deferred rent expense | (8,756) | (2,757) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | <u>(370,364)</u> | <u>(285,947)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (29,726) | (46,782) |
| Purchase of investments | (1,248,939) | (1,181,789) |
| Proceeds from sales of investments | 1,174,285 | 1,158,205 |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | <u>(104,380)</u> | <u>(70,366)</u> |
| NET (DECREASE) IN CASH AND CASH EQUIVALENTS | (474,744) | (356,313) |
| CASH AND CASH EQUIVALENTS, January 1 | <u>2,367,775</u> | <u>2,724,088</u> |
| CASH AND CASH EQUIVALENTS, December 31 | <u>\$ 1,893,031</u> | <u>\$ 2,367,775</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. ("MS Focus" or "Organization") 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, MS Focus' 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 MS Focus' programs and services and promote understanding for those diagnosed with the illness. MS Focus' programs are supported nationally, primarily by contributions from individuals and corporations.

Financial statement presentation - MS Focus 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 - MS Focus is currently exempt from income taxes under the provisions of Internal Revenue Code Section 501(c)(3).

MS Focus 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. Interest accrued related to material unrecognized tax benefits is recognized in interest expense and penalties in operating expenses.

MS Focus files tax returns in the U.S. federal jurisdiction, and various state jurisdictions. MS Focus is no longer subject to U.S. federal, state and local tax examinations by tax authorities for years before 2014.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. 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 - MS Focus 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. MS Focus maintains cash in accounts with financial institutions that, at times, may exceed federally insured limits and has not experienced losses related to its cash in excess of federally insured limits. As of December 31, 2017 and 2016, MS Focus' uninsured cash balances totaled approximately \$1,578,000 and \$2,100,000, respectively.

MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

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, MS Focus 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. MS Focus' policy is to capitalize all assets with a cost greater than \$2,500.

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 |
| Signs | 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 MS Focus 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.

MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

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.

Investments - Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

Common stocks and exchange traded funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Donated securities: Valued at the closing price reported on the active market on which the individual securities are traded on the date of the gift. Donated securities are generally immediately sold.

Real estate: Valued at the fair value as of the dates the real estate is donated. Thereafter, such real estate investments are carried at current appraised values.

Beneficial interest in perpetual trusts: Valued at the fair value of the underlying investments in the trusts, which consist primarily of marketable debt and equity securities traded in active markets. Classified as Level 3 resulting from the perpetual nature of the trusts.

Realized and unrealized gains and losses are included in investment returns 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. Restricted contributions whose donor imposed stipulations are met in the same reporting period as the contribution is received are classified as unrestricted.

MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Contributions and promises to give (continued)

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.

MS Focus 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. MS Focus regularly utilizes the services of volunteers to support its programs and administrative functions. Volunteer services are not recognized in MS Focus' financial statements.

Other revenue and receivables - MS Focus provides certain services to unrelated organizations which promote awareness of Multiple Sclerosis and provide education services to individuals touched by the disease. Revenues from these services totaled approximately \$1,511,000 and \$1,068,000 for the years ended December 31, 2017 and 2016, respectively. Accounts receivable related to these services totaled approximately \$39,000 and \$77,000 as of December 31, 2017 and 2016, respectively.

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. MS Focus provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances which may affect the ability of unrelated organizations to meet their obligations. It is MS Focus' policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. The Organization does not recognize interest income on past due accounts. No allowance for doubtful accounts was recognized as of December 31, 2017 and 2016.

Advertising - MS Focus uses advertising to promote its programs and services. Advertising costs are expensed as incurred. Advertising expenses for the years ended December 31, 2017 and 2016 were approximately \$102,000 and \$90,000, respectively.

MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Joint cost allocation - During 2017 and 2016, MS Focus incurred joint costs of approximately \$2,157,000 and \$2,340,000 respectively, for informational materials and activities that included fund-raising appeals. MS Focus allocated approximately \$1,475,000 and \$820,000 of these costs to fund-raising expense in 2017 and 2016, respectively, and approximately \$682,000 and \$1,520,000 of these costs to program services in 2017 and 2016, 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

MS Focus has received indications of gifts in the form of bequests, which are revocable during the donors' lifetime, as well as bequests from deceased donors. Due to the uncertain nature of these intentions from active donors, MS Focus has not recognized an asset or contribution revenue for these gifts. For several bequests from deceased donors, information is not reasonably available to estimate the amount to be received from the estates. The estimated total intentions to give aggregated approximately \$1,525,000 and \$1,439,000 at December 31, 2017 and 2016, respectively.

MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

(4) Investments and fair value measurements

Fair values of assets measured on a recurring basis at December 31, 2017 and 2016 are as follows:

| | Cost | Fair Value | Fair Value Measurements Using: | | |
|---|---------------------|---------------------|--|---|---|
| | | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| December 31, 2017: | | | | | |
| Common stock | \$ 1,262,701 | \$ 1,467,973 | \$ 1,467,973 | \$ - | \$ - |
| Fixed income index funds | 1,688,202 | 1,668,690 | 1,668,690 | - | - |
| Donated land and property | 11,892 | 4,805 | - | 4,805 | - |
| | <u>\$ 2,962,795</u> | <u>3,141,468</u> | <u>3,136,663</u> | <u>4,805</u> | <u>-</u> |
| Beneficial interest in perpetual trusts | | 808,397 | - | - | 808,397 |
| | | <u>\$ 3,949,865</u> | <u>\$ 3,136,663</u> | <u>\$ 4,805</u> | <u>\$ 808,397</u> |
| December 31, 2016: | | | | | |
| Common stock | \$ 1,194,048 | \$ 1,225,664 | \$ 1,225,664 | \$ - | \$ - |
| Fixed income index funds | 1,610,371 | 1,578,056 | 1,578,056 | - | - |
| Donated land and property | 11,892 | 4,805 | - | 4,805 | - |
| | <u>\$ 2,816,311</u> | <u>2,808,525</u> | <u>2,803,720</u> | <u>4,805</u> | <u>-</u> |
| Beneficial interest in perpetual trusts | | 728,919 | - | - | 728,919 |
| | | <u>\$ 3,537,444</u> | <u>\$ 2,803,720</u> | <u>\$ 4,805</u> | <u>\$ 728,919</u> |

The following table sets forth a summary of changes in the fair value of the Plan's Level 3 assets:

| | Year ended December 31, 2017 | Year ended December 31, 2016 |
|----------------------------|------------------------------|------------------------------|
| Balance, beginning of year | \$ 728,919 | \$ 708,629 |
| Unrealized gains | 79,478 | 20,290 |
| Balance, end of year | <u>\$ 808,397</u> | <u>\$ 728,919</u> |

The following schedule summarizes the investment returns in the statements of activities and change in net assets for the years ended December 31, 2017 and 2016:

| | 2017 | 2016 |
|-------------------------------|-------------------|-------------------|
| Realized and unrealized gains | \$ 337,767 | \$ 83,429 |
| Interest and dividend income | 63,721 | 70,124 |
| Investment fees | (26,154) | (24,903) |
| | <u>\$ 375,334</u> | <u>\$ 128,650</u> |

MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

(5) Property and equipment

As of December 31, 2017 and 2016, property and equipment consisted of the following:

| | <u>2017</u> | <u>2016</u> |
|--------------------------|-------------------|-------------------|
| Software | \$ 619,183 | \$ 589,457 |
| Computer hardware | 170,132 | 170,132 |
| Leasehold improvements | 102,486 | 102,486 |
| Equipment | 48,574 | 48,574 |
| Furniture | 25,715 | 25,715 |
| Signs | <u>2,515</u> | <u>2,515</u> |
| Total cost | 968,605 | 938,879 |
| Accumulated depreciation | <u>836,468</u> | <u>777,646</u> |
| | <u>\$ 132,137</u> | <u>\$ 161,233</u> |

Depreciation expense was approximately \$58,800 and \$41,800 for the years ended December 31, 2017 and 2016, respectively.

(6) Commitments and contingencies

On April 22, 2010, MS Focus entered into a non-cancelable operating lease agreement for office facilities in Fort Lauderdale, Florida to provide additional space and to replace the existing leases. The 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 lease, MS Focus 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 approximated \$80,000 and \$89,000 at December 31, 2017 and 2016, respectively.

MS Focus also leased office equipment under non-cancelable operating leases that expired in 2017.

Future minimum rentals, considering rental abatement periods, under leases with remaining non-cancelable terms in excess of one year, including the lease executed in 2018, are approximately as follows:

MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

(6) Commitments and contingencies (continued)

| <u>Years Ending December 31,</u> | <u>Minimum Reportable Rental Expense</u> | <u>Required Rental Payments</u> |
|----------------------------------|--|---|
| 2018 | \$ 242,700 | \$ 251,500 |
| 2019 | 242,700 | 257,500 |
| 2020 | 212,100 | 226,900 |
| 2021 | 202,700 | 223,500 |
| 2022 | 202,700 | 223,500 |
| | \$ 1,102,900 | \$ 1,182,900 |

Rental expense under operating leases was approximately \$337,000 and \$328,000 for the years ended December 31, 2017 and 2016, respectively, and is included in equipment and furniture expense and rent expense in the accompanying statements of functional expenses.

From time to time MS Focus is involved in litigation in the normal course of operations. Management believes resolution of any ongoing matters would not have a material impact on the financial statements.

(7) Restricted net assets

Temporarily restricted net assets as of December 31, 2017 and 2016 are available for the following purposes:

| | <u>2017</u> | <u>2016</u> |
|-----------------------------|-------------|-------------|
| Awareness and Education | \$ - | \$ 20,750 |
| Research and other programs | 28,756 | - |
| | \$ 28,756 | \$ 20,750 |

Temporarily restricted net assets as of December 31, 2017 and 2016 were released from restrictions for the following purposes:

| | <u>2017</u> | <u>2016</u> |
|-------------------------|-------------|-------------|
| Assistive Technology | \$ - | \$ 20,254 |
| Awareness and Education | 20,750 | 44,473 |
| March Awareness Program | - | 60,000 |
| | \$ 20,750 | \$ 124,727 |

MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

(7) Restricted net assets (continued)

Permanently restricted net assets are as follows at December 31, 2017 and 2016:

| | | |
|--|-------------------|-------------------|
| Perpetual interest in trusts, for which investment investment earnings are unrestricted | <u>\$ 808,397</u> | <u>\$ 728,919</u> |
|--|-------------------|-------------------|

(8) Restatement

During 2017, MS Focus identified two perpetual trusts that had been funded by bequests in which MS Focus is to receive specified investment earnings in perpetuity. US GAAP requires that items of this nature be recorded as a beneficial interest in a trust with changes in the fair value of the beneficial interest in the trust to be recorded as gains (or losses) in permanently restricted net assets with any earnings distributions received by MS Focus recorded consistent with the purpose restriction of the contribution, if any, or unrestricted if there are no purpose restrictions. Permanently restricted net assets and the change in net assets have been increased for the year ended December 31, 2016 from the previously reported amounts by \$728,919 and \$20,290, respectively. Accordingly, the 2016 financial statements of MS Focus have been restated as follows:

| | | |
|--|----|---------|
| Beneficial interest in trusts, as previously reported | \$ | - |
| Beneficial interest in trusts, as corrected | \$ | 728,919 |
| Net investment gains, permanently retracted, as previously reported | \$ | - |
| Net investment gains, permanently retracted, as corrected | \$ | 20,290 |
| Permanently restricted net assets, as previously reported | \$ | - |
| Permanently restricted net assets, as corrected | \$ | 728,919 |

(9) Subsequent events

Subsequent to December 31 2017, MS Focus entered into a 5 year lease for office equipment requiring minimum monthly payments of \$1,126 through December 31, 2022 plus operating costs as specified in the lease agreement.

MS Focus has evaluated subsequent events through May 11, 2018, 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, other than identified in the preceding paragraph.