



Financial Statements
For the period from January 1, 2015 to June 30, 2016

Rocky Mountain Multiple Sclerosis Center

Rocky Mountain Multiple Sclerosis Center

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June 30, 2016

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Independent Auditor's Report

The Board of Directors
Rocky Mountain Multiple Sclerosis Center
Westminster, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Rocky Mountain Multiple Sclerosis Center, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the period from January 1, 2015 through June 30, 2016, 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.

Auditor's Responsibility

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 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 auditor's 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 Rocky Mountain Multiple Sclerosis Center as of June 30, 2016, and the changes in its net assets and its cash flows for the period from January 1, 2015 through June 30, 2016 in accordance with accounting principles generally accepted in the United States of America.

Eide Sallee LLP

Golden, Colorado
October 24, 2016

Rocky Mountain Multiple Sclerosis Center
Statement of Financial Position
June 30, 2016

Assets	
Cash and cash equivalents	\$ 271,991
Operating investments	533,150
Accounts receivable, net	201,414
Promises to give, net	84,825
Prepaid expenses and other assets	35,010
Beneficial interest in charitable trust held by others	176,814
Property and equipment, net	1,615,639
Beneficial interest in assets held by Community First Foundation	371,868
Endowment investments	246,201
Total assets	<u>\$ 3,536,912</u>
Liabilities and Net Assets	
Accounts payable and accrued expenses	\$ 155,145
Deferred revenue	89,000
Line of credit	103,607
Notes payable	141,018
Total liabilities	<u>488,770</u>
Net Assets	
Unrestricted	
Undesignated	613,440
Board-designated endowment	182,442
Invested in property and equipment, net of related debt	1,474,621
	<u>2,270,503</u>
Temporarily restricted	346,489
Permanently restricted	431,150
Total net assets	<u>3,048,142</u>
Total liabilities and net assets	<u>\$ 3,536,912</u>

Rocky Mountain Multiple Sclerosis Center

Statement of Activities

For the period from January 1, 2015 to June 30, 2016

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and Revenue				
Support				
Contributions	\$ 1,114,546	\$ 80,373	\$ 729	\$ 1,195,648
Gross special events revenue	384,394	-	-	384,394
Less cost of direct benefits to donors	(118,879)	-	-	(118,879)
Net special events revenue	265,515	-	-	265,515
Net assets released from restrictions	16,350	(16,350)	-	-
Total support	1,396,411	64,023	729	1,461,163
Revenue				
KADEP	1,438,525	-	-	1,438,525
Seminars and publications	109,510	-	-	109,510
Tissue bank and other program services	62,602	-	-	62,602
Net investment return	7,663	954	-	8,617
Distributions from and change in value of beneficial interests in assets held by others				
Charitable trust	-	6,556	-	6,556
Community First Foundation	15,047	-	(16,239)	(1,192)
Total revenue	1,633,347	7,510	(16,239)	1,624,618
Total support and revenue	3,029,758	71,533	(15,510)	3,085,781
Expenses				
Program services expenses				
KADEP	1,488,729	-	-	1,488,729
Community care and support	449,889	-	-	449,889
Education	426,085	-	-	426,085
Research	536,136	-	-	536,136
Total program services expenses	2,900,839	-	-	2,900,839
Supporting services expenses				
Management and general	299,999	-	-	299,999
Fundraising and development	466,266	-	-	466,266
Total supporting services expenses	766,265	-	-	766,265
Total expenses	3,667,104	-	-	3,667,104
Change in Net Assets	(637,346)	71,533	(15,510)	(581,323)
Net Assets, Beginning of Period	2,907,849	274,956	446,660	3,629,465
Net Assets, End of Period	\$ 2,270,503	\$ 346,489	\$ 431,150	\$ 3,048,142

Rocky Mountain Multiple Sclerosis Center
Statement of Functional Expenses
For the period from January 1, 2015 to June 30, 2016

	Program Services				Supporting Services				Total
	KADEP	Community care and support	Education	Research	Total program services	Management and general	Fundraising and development	Special events costs of goods sold	
Salaries, taxes and benefits	\$ 1,008,155	\$ 194,818	\$ 241,882	\$ 95,639	\$ 1,540,494	\$ 117,421	\$ 296,616	\$ -	\$ 1,954,531
Professional services									
Medical director	-	115,313	46,125	69,188	230,626	-	-	-	230,626
Other	19,727	107,922	17,887	4,218	149,754	112,188	60,454	-	322,396
Program grants	-	10,000	-	347,324	357,324	-	-	-	357,324
Participant activities, travel and meals	164,127	-	-	-	164,127	-	-	-	164,127
Seminars	-	-	37,372	-	37,372	-	-	-	37,372
Supplies	31,293	2,678	351	423	34,745	4,168	8,457	-	47,370
Telecommunications	6,693	4,281	8,091	2,719	21,784	3,185	8,529	-	33,498
Postage and delivery	2,066	378	21,268	-	23,712	7,278	11,390	-	42,380
Occupancy	84,716	5,540	4,541	2,386	97,183	5,122	4,541	-	106,846
Repairs and maintenance	17,463	618	586	94	18,761	3,669	785	-	23,215
Printing and publications	3,580	4,334	34,913	1,645	44,472	9,615	25,236	-	79,323
Conferences, conventions and meetings	4,124	73	3,498	5,719	13,414	8,233	17,701	-	39,348
Insurance	36,516	3,477	4,749	2,278	47,020	2,589	5,911	-	55,520
Staff development, certifications, memberships	6,076	60	-	-	6,136	4,601	4,118	-	14,855
Special events cost of direct benefit to donors	-	-	-	-	-	-	-	118,879	118,879
Banking and credit card fees	-	-	-	-	-	7,613	7,843	-	15,456
Investment management fees	-	-	-	-	-	14,215	-	-	14,215
Interest	9,637	198	305	305	10,445	6,839	305	-	17,589
Volunteer and donor recognition	-	-	-	-	-	-	7,438	-	7,438
Other miscellaneous expenses	3,890	199	993	674	5,756	3,034	3,430	-	12,220
Total before depreciation	1,398,063	449,889	422,561	532,612	2,803,125	309,770	462,754	118,879	3,694,528
Depreciation	90,666	-	3,524	3,524	97,714	4,444	3,512	-	105,670
Total expenses by function	1,488,729	449,889	426,085	536,136	2,900,839	314,214	466,266	118,879	3,800,198
Less expenses included with revenues on the statement of activities									
Special events cost of direct benefit to donors	-	-	-	-	-	-	-	(118,879)	(118,879)
Investment management fees	-	-	-	-	-	(14,215)	-	-	(14,215)
Total expenses included in the expense section on the statement of activities	\$ 1,488,729	\$ 449,889	\$ 426,085	\$ 536,136	\$ 2,900,839	\$ 299,999	\$ 466,266	\$ -	\$ 3,667,104

Rocky Mountain Multiple Sclerosis Center
Statement of Cash Flows
For the period from January 1, 2015 to June 30, 2016

Cash Flows from Operating Activities	
Change in net assets	\$ (581,323)
Adjustments to reconcile change in net assets to net cash used for operating activities	
Depreciation	105,670
Change in value of beneficial interest in charitable trust held by others	(6,556)
Change in value of beneficial interest in assets held by Community First Foundation	16,239
Realized and unrealized loss on operating investments	10,090
Endowment net investment return	(3,750)
Contributions restricted to endowment	(729)
Changes in operating assets and liabilities	
Accounts receivable, net	(10,842)
Promises to give, net	16,350
Prepaid expenses and other assets	(25,667)
Accounts payable and accrued expenses	36,940
Deferred revenue	89,000
Net Cash used for Operating Activities	<u>(354,578)</u>
Cash Flows from Investing Activities	
Purchases of operating investments	(13,279)
Proceeds from sales of operating investments	462,068
Purchases of property and equipment	(79,553)
Addition to endowment	(729)
Net Cash from Investing Activities	<u>368,507</u>
Cash Flows from Financing Activities	
Collections of contributions restricted to endowment	729
Net borrowings under line of credit	3,607
Proceeds from notes payable	171,630
Payments of principal on notes payable	(135,612)
Net Cash from Financing Activities	<u>40,354</u>
Net Change in Cash and Cash Equivalents	54,283
Cash and Cash Equivalents, Beginning of Period	<u>217,708</u>
Cash and Cash Equivalents, End of Period	<u><u>\$ 271,991</u></u>
Supplemental Disclosure of Cash Flow Information	
Cash paid for interest	<u><u>\$ 17,589</u></u>

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Rocky Mountain Multiple Sclerosis Center, Inc. (the MS Center) was founded in 1978 as one of the nation's first comprehensive centers dedicated to the study and treatment of multiple sclerosis. The MS Center's mission is to improve the lives of people living with multiple sclerosis and their families by providing care, support, education and research. The MS Center accomplishes its mission through a variety of programs, activities, collaborations and outreach.

KADEP

The King Adult Day Enrichment Program (KADEP) serves younger adults who have moderate to severe disability caused by neurological illnesses or trauma. KADEP is designed to enhance wellness, maintain or improve functional status, and provide opportunities for socialization, personal development and enjoyment.

Community Care and Support

MS Specialty Care

Through its affiliation with the Rocky Mountain MS Center at the University of Colorado, the University of Colorado – Anschutz Medical Campus and the University of Colorado Hospital Authority have joined together to form an "MS Center of Excellence," which serves the Rocky Mountain region through patient care, education, support and cutting-edge research. State-of-the-art medical care is provided by MS fellowship-trained neurologists, and includes a pediatric program that specializes in treating children and teens with MS. Through an affiliation with Metro Community Provider Network (MCPN), uninsured or underinsured patients have access to specialty care two days per week at the MS Center at Potomac Street Clinic. The MS Center also has affiliated MS-specialty clinics at the Denver Veteran's Administration Hospital and Denver Health Medical Center.

Specialty-Care Clinics

The MS Center is affiliated with specialty-care clinics that are designed to help MS patients manage specific issues related to multiple sclerosis. The MS Disability Assessment Clinic helps individuals navigate the challenging process of applying for Social Security Disability Insurance. The MS Center also offers MS Hydrotherapy programs, which provide maintenance rehabilitation to individuals living with MS.

The MS Center provides counseling and support services for people with MS and their families. Through individual and family counseling sessions, as well as seminars, the Center offers a range of resources to address individual needs. Every month MS 101 classes are offered to the newly diagnosed patients and their families.

Education

The MS Center conducts a variety of programs to educate those with multiple sclerosis, their families, the general public, and professionals providing services and care for individuals with MS. The MS Center conducts a variety of public seminars and maintains an interactive website at www.mscenter.org, which features a "Living Well" landing page with relevant patient educational information. Additional educational resources include pamphlets, written materials and videos. The MS Center publishes a quarterly magazine, "InforMS," which is available in both print and electronic versions, and distributes an electronic newsletter, "eMS News," which features research information, opportunities to participate in MS clinical research, and information on upcoming events.

Research

The MS Center sponsors basic science and translational research, which includes a variety of clinical trials. The physicians and scientists play a critical role in the development of current and emerging MS therapies, as well as studies to determine the biological basis of the disease.

Research priorities for the next five years are the identification of highly effective and safe therapies that meet each patient's needs, and development of a vaccine. The MS Center also administers one of the world's largest fresh brain tissue banks. The tissue is retrieved, stored and provided to MS researchers from around the world.

Cash and Cash Equivalents

The MS Center considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted for endowment or held for long-term purposes of the MS Center are excluded from this definition.

Receivables and Credit Policies

Accounts receivable consist of noninterest-bearing amounts due from KADEP clients, as well as amounts due for advertising. Management determines the allowance for uncollectable accounts based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2016, the allowance was \$10,800.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2016, management determined no allowance was necessary.

Beneficial Interest in Charitable Trust Held by Others

The MS Center has been named as an irrevocable beneficiary of a charitable remainder trust held and administered by an independent trustee. This trust was created independently by a donor and is administered by an outside agent designated by the donor. Therefore, the MS Center has neither possession nor control over the assets of the trust. At the date the MS Center receives notice of a beneficial interest, a temporarily or permanently restricted contribution is recorded in the statement of activities, and a beneficial interest in charitable trust held by others is recorded in the statement of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interest in the trust is reported at fair value in the statement of financial position, with changes in fair value recognized in the statement of activities.

Beneficial Interest in Assets Held by Community First Foundation

During 2004, the MS Center established a permanent endowment fund (the Fund) under Community First Foundation's (CFF) Non-profit Preservation Endowment Challenge Grant program and named itself beneficiary. The MS Center granted variance power to CFF which allows CFF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of CFF's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Fund is held and invested by CFF for the benefit of the MS Center, and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

Property and Equipment

Property and equipment additions over \$1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation are computed using the straight-line method over the estimated useful lives of the assets ranging from three to thirty years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The MS Center reviews carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2016.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations. Unrestricted board-designated net assets consist of net assets designated by the Board of Directors for endowment.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the MS Center and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by the MS Center's Board of Directors.

The MS Center reports contributions restricted by donors as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions.

When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the MS Center. The restrictions stipulate that resources be maintained permanently but permit the MS Center to expend the income generated in accordance with the provisions of the agreements. Permanently restricted net assets also include the MS Center's beneficial interest in assets held by Community First Foundation.

Revenue and Revenue Recognition

Revenue is recognized when earned. Special events revenue received in advance is deferred to the applicable period in which the event takes place. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

KADEP and Other Service Revenue

The MS Center has agreements with third-party payors that provide for payments at amounts different from its established rates. Payment arrangements include prospectively determined rates per service unit provided, reimbursed costs, discounted charges, and per-diem payments. KADEP and other service revenue is reported at the estimated net realizable amounts from participants, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the MS Center's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The MS Center records donated professional services and materials at the respective fair values of the services and materials received (Note 11).

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The MS Center is organized as a Colorado nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Section 509(a)(1). The MS Center is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the MS Center is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes and files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

The MS Center had an insignificant amount of unrelated business income and has not accrued a provision for income tax expense at June 30, 2016.

The MS Center believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The MS Center would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

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 and those differences could be material.

Financial Instruments and Credit Risk

The MS Center manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the MS Center has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the MS Center's mission. Investments are made by management and the Investment Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the MS Center.

Subsequent Events

The MS Center has evaluated subsequent events through October 24, 2016, the date the financial statements were available to be issued.

Note 2 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that the MS Center can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, the MS Center develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the MS Center's assessment of the quality, risk or liquidity profile of the asset.

A significant portion of the MS Center's investment assets are classified within Level 1 because they are comprised of open-end mutual funds with readily determinable fair values based on daily redemption values. Domestic corporate bonds are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2. The fair value of the beneficial interest in charitable trust held by others is based on the fair value of trust investments as reported by the Trustee; the fair value of the MS Center's beneficial interest in assets held by Community First Foundation is based on the fair value of fund investments as reported by Community First Foundation. These are considered to be Level 3 measurements.

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified below, at June 30, 2016:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Operating investments				
Cash equivalents (at cost)	\$ 37,374	\$ -	\$ -	\$ -
Domestic corporate bonds	188,438	-	188,438	-
Mutual funds				
International equity	134,661	134,661	-	-
Domestic index	172,677	172,677	-	-
	<u>\$ 533,150</u>	<u>\$ 307,338</u>	<u>\$ 188,438</u>	<u>\$ -</u>
Endowment investments				
Cash equivalents (at cost)	\$ 17,258	\$ -	\$ -	\$ -
Domestic corporate bonds	87,018	-	87,018	-
Mutual funds				
International equity	62,185	62,185	-	-
Domestic index	79,740	79,740	-	-
	<u>\$ 246,201</u>	<u>\$ 141,925</u>	<u>\$ 87,018</u>	<u>\$ -</u>
Beneficial interests in				
Charitable trust held				
by others	<u>\$ 176,814</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176,814</u>
Assets held by Community				
First Foundation	<u>\$ 371,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 371,868</u>

Below is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period ended June 30, 2016:

	Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)	
	Beneficial Interests in	
	Charitable trust held by others	Assets held by Community First Foundation
Beginning balance	\$ 170,258	\$ 388,107
Distributions	-	(15,047)
Interest and dividends	-	11,392
Investment fees	-	(5,702)
Net realized and unrealized gain (loss)	6,556	(6,882)
Ending balance	\$ 176,814	\$ 371,868
Unrealized gain (loss) included in change in beneficial interests in the statement of activities relating to assets still held at June 30, 2016	\$ 6,556	\$ (6,882)

Note 3 - Net Investment Return

Net investment return consists of the following for the period ended June 30, 2016:

Operating investments	
Interest and dividends	\$ 25,606
Net realized and unrealized loss	(10,090)
Less investment management fees	(10,649)
	4,867
Endowment investments	
Interest and dividends	\$ 8,262
Net realized and unrealized loss	(946)
Less investment management fees	(3,566)
	3,750
	\$ 8,617

Note 4 - Promises to Give

Unconditional promises to give of \$84,825 at June 30, 2016 are estimated to be collected in less than one year. Substantially all of the outstanding amount is due from a single corporate donor in the form of donated professional services to be provided in 2017.

Note 5 - Property and Equipment

Property and equipment is comprised of the following at June 30, 2016:

Land and improvements	\$ 664,675
Building and improvements	1,104,259
Furniture and equipment	223,214
	1,992,148
Less accumulated depreciation	(376,509)
	\$ 1,615,639

Note 6 - Line of Credit

The MS Center has a \$200,000 revolving line of credit with a bank, secured by property. Borrowings under the agreement bear interest at the bank's prime rate plus 1%, or a floor rate of 4.5% (4.5% at June 30, 2016). Accrued interest and principal are due at maturity on May 6, 2017. The outstanding balance on the line of credit was \$103,607 as of June 30, 2016.

Note 7 - Notes Payable

Notes payable consist of the following at June 30, 2016:

Note payable, original amount \$109,007, secured by real estate, bearing interest at 4.25%. Monthly payments of principal and interest of \$1,513 are due through May 2022.	\$ 94,686
Note payable, original amount of \$62,023, secured by equipment, bearing interest at 6.14%. Monthly payments of principal and interest of \$1,203 are due through January 2021.	46,332
	\$ 141,018

Future maturities of notes payable are as follows for the years ending June 30,:

2017	\$ 26,285
2018	27,669
2019	29,129
2020	24,586
2021	17,056
Thereafter	16,293
	\$ 141,018

Note 8 - Operating Leases

The MS Center leases office equipment under a non-cancelable operating lease expiring in 2018. Future minimum lease payments required under the agreement are as follows:

Years ending June 30,			
2017	\$	15,936	
2018		9,296	
	\$	25,232	

Rent expense amounted to \$23,904 for the period from January 1, 2015 through June 30, 2016.

Note 9 - Endowment

The MS Center's endowment (the Endowment) consists of 5 individual funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain unrestricted net assets designated for endowment by the Board of Directors. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The MS Center's Board of Directors has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. At June 30, 2016, there were no such donor stipulations. As a result of this interpretation, the MS Center classifies as permanently restricted net assets: (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts to the Endowment, and (c) accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment fund is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the MS Center in a manner consistent with the standard of prudence prescribed by UPMIFA. The MS Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Rocky Mountain Multiple Sclerosis Center

Notes to Financial Statements

June 30, 2016

As of June 30, 2016, the MS Center had the following endowment net asset composition by type of fund:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment	\$ 182,442	\$ -	\$ -	\$ 182,442
Donor-restricted endowment	-	4,477	59,282	63,759
	\$ 182,442	\$ 4,477	\$ 59,282	\$ 246,201

Investment and Spending Policies

The MS Center has adopted investment and spending policies for the endowment that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to preserve the original fair values of the original gifts made to the endowment. The MS Center expects the endowment, over time, to provide a rate of return sufficient to preserve the original fair values of its endowment assets while providing an opportunity for real growth. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the MS Center relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The MS Center targets a diversified asset allocation that places a greater emphasis on corporate bonds and mutual funds to achieve its long-term return objectives within prudent risk constraints.

The MS Center has a policy of appropriating for distribution each year, so much of the endowment as is necessary to fund discretionary expenses as determined by the Board of Directors. In establishing this policy, the MS Center considered the long-term expected return on its endowment. Accordingly, over the long term, the MS Center expects the current spending policy to preserve the permanently restricted net assets of the endowment. This is consistent with the MS Center's objective to preserve the original fair values of the original gifts made to the Endowment as well as to provide an opportunity for real growth through new gifts and undistributed investment return.

Changes in endowment net assets for the period ended June 30, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of period	\$ 179,646	\$ 3,523	\$ 58,553	\$ 241,722
Net investment return				
Investment income, net of fees	3,487	1,209	-	4,696
Net realized and unrealized loss	(691)	(255)	-	(946)
	2,796	954	-	3,750
Contributions	-	-	729	729
Endowment net assets, end of period	\$ 182,442	\$ 4,477	\$ 59,282	\$ 246,201

Note 10 - Restricted Net Assets

Temporarily Restricted

Temporarily restricted net assets at June 30, 2016 consist of:

Promises to give - donated professional services to be provided at a future date	\$ 84,825
Time restrictions (proceeds are not restricted by donors) Beneficial interest in charitable trust held by others	176,814
Purpose restricted by donors	
Research	62,577
Garden and xeriscaping	17,796
Unspent appreciation of Endowment funds which must be appropriated for expenditure before use	<u>4,477</u>
	<u><u>\$ 346,489</u></u>

During the period from January 1, 2015 to June 30 2016, temporarily restricted net assets totaling \$16,350 were released from restrictions due to the expiration of time restrictions.

Permanently Restricted

Permanently restricted net assets consist of assets held by Community First Foundation (CFF) for the benefit of the MS Center and endowment funds restricted by donors for investment in perpetuity. Distributions from CFF are restricted for use by KADEP. Income from other permanently restricted net assets is available for appropriation for general operating purposes. The permanently restricted net assets balances are as follows at June 30, 2016:

Beneficial interest in assets held by CFF	\$ 371,868
Endowment funds	<u>59,282</u>
	<u><u>\$ 431,150</u></u>

Board-Designated

The Board of Directors has designated \$182,442 for endowment, the income from which is to be used for general operating purposes.

Note 11 - Donated Services and Materials

The MS Center received donated services and materials as follows during the period ended June 30, 2016:

	Program Services	Management and General	Fundraising	Special Events	Totals
Professional services	\$ 7,728	\$ 12,739	\$ 3,869	\$ -	\$ 24,336
Equipment and supplies	2,456	734	343	350	3,883
Publicity	-	-	-	15,535	15,535
	<u>\$ 10,184</u>	<u>\$ 13,473</u>	<u>\$ 4,212</u>	<u>\$ 15,885</u>	<u>\$ 43,754</u>

Note 12 - Joint Costs of Activities that Include a Fund-Raising Appeal

The MS Center produces a quarterly newsletter that includes programmatic and administrative information, together with a request for contributions in support of the MS Center's mission. During the period from January 1, 2015 to June 30, 2016, the costs of producing the newsletter included \$68,595 of joint costs not directly attributable to any single function. Those costs were allocated among the following functional expense categories:

Education program	\$ 47,610
Management and general	14,216
Fundraising and development	<u>6,769</u>
	<u>\$ 68,595</u>

Note 13 - Retirement Plan

The MS Center sponsors a Savings Incentive Match Plan (the Plan) qualified under section 408(p) of the Internal Revenue Code covering substantially all employees. Under the Plan, the MS Center matches employee voluntary salary reductions up to 3% of each employee's gross compensation. During the period from January 1, 2015 to June 30, 2016, the MS Center contributed \$34,819 to the Plan.

Note 14 - Commitments*Rocky Mountain MS Center at the University of Colorado*

The MS Center partners with the University of Colorado – Anschutz Medical Campus and the University of Colorado Hospital Authority to operate the Rocky Mountain MS Center at the University of Colorado. The agreement expires July 31, 2017. The MS Center is required to pay the University of Colorado Denver \$153,750 annually for services of the Medical Director and other physicians. Payments due under the contract during the year ended June 30, 2017 are \$140,938.