



Financial Statements
June 30, 2017

Rocky Mountain Multiple Sclerosis Center

Rocky Mountain Multiple Sclerosis Center

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June 30, 2017

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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, 2017, and the related statements of activities, functional expenses, and cash flows for the year ended June 30, 2017, 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, 2017, and the changes in its net assets and its cash flows for the year ended June 30, 2017 in accordance with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Denver, Colorado
October 19, 2017

Rocky Mountain Multiple Sclerosis Center
Statement of Financial Position
June 30, 2017

| | |
|--|--------------|
| Assets | |
| Cash and cash equivalents | \$ 289,869 |
| Operating investments | 557,105 |
| Accounts receivable, net | 151,325 |
| Promises to give, net | 71,525 |
| Prepaid expenses and other assets | 20,431 |
| Beneficial interest in charitable trust held by others | 180,186 |
| Property and equipment, net | 1,570,353 |
| Beneficial interest in assets held by Community First Foundation | 398,114 |
| Endowment investments | 271,735 |
| Total assets | \$ 3,510,643 |
| Liabilities and Net Assets | |
| Accounts payable and accrued expenses | \$ 120,703 |
| Deferred revenue | 53,500 |
| Line of credit | 103,607 |
| Notes payable | 114,733 |
| Total liabilities | 392,543 |
| Net Assets | |
| Unrestricted | |
| Undesignated | 591,811 |
| Board-designated endowment | 201,364 |
| Invested in property and equipment, net of related debt | 1,455,620 |
| | 2,248,795 |
| Temporarily restricted | 411,909 |
| Permanently restricted | 457,396 |
| Total net assets | 3,118,100 |
| Total liabilities and net assets | \$ 3,510,643 |

Rocky Mountain Multiple Sclerosis Center

Statement of Activities

For the year ended June 30, 2017

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|--------------|---------------------------|---------------------------|--------------|
| Support and Revenue | | | | |
| Support | | | | |
| Contributions | \$ 1,031,531 | \$ 86,532 | \$ - | \$ 1,118,063 |
| Gross special events revenue | 436,421 | - | - | 436,421 |
| Less cost of direct benefits to donors | (142,992) | - | - | (142,992) |
| Net special events revenue | 293,429 | - | - | 293,429 |
| Net assets released from restrictions | 31,096 | (31,096) | - | - |
| Total support | 1,356,056 | 55,436 | - | 1,411,492 |
| Revenue | | | | |
| KADEP | 955,221 | - | - | 955,221 |
| Seminars and publications | 46,160 | - | - | 46,160 |
| Tissue bank and other program services | 58,969 | - | - | 58,969 |
| Net investment return | 73,329 | 6,612 | - | 79,941 |
| Distributions from and change in value of beneficial interests in assets held by others | | | | |
| Charitable trust | - | 3,372 | - | 3,372 |
| Community First Foundation | 15,209 | - | 26,246 | 41,455 |
| Total revenue | 1,148,888 | 9,984 | 26,246 | 1,185,118 |
| Total support and revenue | 2,504,944 | 65,420 | 26,246 | 2,596,610 |
| Expenses | | | | |
| Program services expenses | | | | |
| KADEP | 1,030,772 | - | - | 1,030,772 |
| Community care and support | 453,225 | - | - | 453,225 |
| Education | 274,249 | - | - | 274,249 |
| Research | 292,829 | - | - | 292,829 |
| Total program services expenses | 2,051,075 | - | - | 2,051,075 |
| Supporting services expenses | | | | |
| Management and general | 195,522 | - | - | 195,522 |
| Fundraising and development | 280,055 | - | - | 280,055 |
| Total supporting services expenses | 475,577 | - | - | 475,577 |
| Total expenses | 2,526,652 | - | - | 2,526,652 |
| Change in Net Assets | (21,708) | 65,420 | 26,246 | 69,958 |
| Net Assets, Beginning of Period | 2,270,503 | 346,489 | 431,150 | 3,048,142 |
| Net Assets, End of Period | \$ 2,248,795 | \$ 411,909 | \$ 457,396 | \$ 3,118,100 |

Rocky Mountain Multiple Sclerosis Center
Statement of Functional Expenses
For the year ended June 30, 2017

| | Program Services | | | | | Supporting Services | | | |
|---|------------------|----------------------------|------------|------------|------------------------|------------------------|-----------------------------|------------------------------------|--------------|
| | KADEP | Community care and support | Education | Research | Total program services | Management and general | Fundraising and development | Special events costs of goods sold | Total |
| Salaries, taxes and benefits | \$ 721,829 | \$ 129,442 | \$ 178,311 | \$ 73,914 | \$ 1,103,496 | \$ 89,169 | \$ 191,072 | \$ - | \$ 1,383,737 |
| Professional services | | | | | | | | | |
| Medical director | - | 76,875 | 30,750 | 46,125 | 153,750 | - | - | - | 153,750 |
| Donated professional services | 6,451 | 1,138 | - | - | 7,589 | 13,300 | 6,526 | - | 27,415 |
| Other | 4,740 | 76,045 | 9,654 | 3,742 | 94,181 | 54,923 | 24,008 | - | 173,112 |
| Program grants | - | 160,500 | - | 157,500 | 318,000 | - | - | - | 318,000 |
| Participant activities, travel and meals | 120,928 | - | - | - | 120,928 | - | - | - | 120,928 |
| Seminars | - | - | 6,453 | - | 6,453 | - | - | - | 6,453 |
| Supplies | 10,042 | 622 | 38 | 380 | 11,082 | 2,095 | 2,942 | - | 16,119 |
| Telecommunications | 1,475 | 2,142 | 3,061 | 1,127 | 7,805 | 1,084 | 3,317 | - | 12,206 |
| Postage and delivery | 1,270 | 392 | 11,748 | 333 | 13,743 | 3,616 | 5,204 | - | 22,563 |
| Occupancy | 58,666 | 1,516 | 3,044 | 1,506 | 64,732 | 3,339 | 3,044 | - | 71,115 |
| Repairs and maintenance | 8,304 | 291 | 201 | 119 | 8,915 | 1,213 | 146 | - | 10,274 |
| Printing and publications | 3,547 | 3,128 | 22,942 | 1,536 | 31,153 | 7,075 | 19,340 | - | 57,568 |
| Conferences, conventions and meetings | 4,823 | 318 | 2,417 | 890 | 8,448 | 5,513 | 10,121 | - | 24,082 |
| Insurance | 24,667 | 46 | 1,818 | 1,515 | 28,046 | 1,515 | 1,823 | - | 31,384 |
| Staff development, certifications, memberships | 2,242 | 600 | - | - | 2,842 | 824 | 2,410 | - | 6,076 |
| Special events cost of direct benefit to donors | - | - | - | - | - | - | - | 142,992 | 142,992 |
| Banking and credit card fees | 67 | 4 | 151 | - | 222 | 1,700 | 2,843 | - | 4,765 |
| Investment management fees | - | - | - | - | - | 5,989 | - | - | 5,989 |
| Interest | 5,552 | - | 190 | 190 | 5,932 | 5,112 | 190 | - | 11,234 |
| Volunteer and donor recognition | 28 | - | - | - | 28 | - | 3,297 | - | 3,325 |
| Other miscellaneous expenses | 1,245 | 166 | 237 | 120 | 1,768 | 1,750 | 538 | - | 4,056 |
| Total before depreciation | 975,876 | 453,225 | 271,015 | 288,997 | 1,989,113 | 198,217 | 276,821 | 142,992 | 2,607,143 |
| Depreciation | 54,896 | - | 3,234 | 3,832 | 61,962 | 3,294 | 3,234 | - | 68,490 |
| Total expenses by function | 1,030,772 | 453,225 | 274,249 | 292,829 | 2,051,075 | 201,511 | 280,055 | 142,992 | 2,675,633 |
| Less expenses included with revenues on the statement of activities | | | | | | | | | |
| Special events cost of direct benefit to donors | - | - | - | - | - | - | - | (142,992) | (142,992) |
| Investment management fees | - | - | - | - | - | (5,989) | - | - | (5,989) |
| Total expenses included in the expense section on the statement of activities | \$ 1,030,772 | \$ 453,225 | \$ 274,249 | \$ 292,829 | \$ 2,051,075 | \$ 195,522 | \$ 280,055 | \$ - | \$ 2,526,652 |

Rocky Mountain Multiple Sclerosis Center
Statement of Cash Flows
For the year ended June 30, 2017

| | |
|---|-------------------|
| Cash Flows from Operating Activities | |
| Change in net assets | \$ 69,958 |
| Adjustments to reconcile change in net assets to net cash from operating activities | |
| Depreciation | 68,490 |
| Change in value of beneficial interest in charitable trust held by others | (3,372) |
| Change in value of beneficial interest in assets held by Community First Foundation | (26,246) |
| Realized and unrealized gain on operating investments | (46,890) |
| Endowment net investment return | (25,534) |
| Changes in operating assets and liabilities | |
| Accounts receivable, net | 50,089 |
| Promises to give, net | 13,300 |
| Prepaid expenses and other assets | 14,579 |
| Accounts payable and accrued expenses | (34,442) |
| Deferred revenue | (35,500) |
| Net Cash from Operating Activities | <u>44,432</u> |
| Cash Flows used for Investing Activities | |
| Purchases of operating investments | (193,258) |
| Proceeds from sales of operating investments | 216,193 |
| Purchases of property and equipment | (23,204) |
| Net Cash used for Investing Activities | <u>(269)</u> |
| Cash Flows used for Financing Activities | |
| Payments of principal on notes payable | (26,285) |
| Net Cash used for Financing Activities | <u>(26,285)</u> |
| Net Change in Cash and Cash Equivalents | 17,878 |
| Cash and Cash Equivalents, Beginning of Year | 271,991 |
| Cash and Cash Equivalents, End of Year | <u>\$ 289,869</u> |
| Supplemental Disclosure of Cash Flow Information | |
| Cash paid for interest | <u>\$ 11,234</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. The MS Center also has affiliated MS-specialty clinics at the Denver Veteran's Administration Hospital and Denver Health Medical Center.

Specialty-Care Programs

The MS Center is affiliated with specialty-care programs 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 sessions, 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 newly diagnosed patients and their families.

The MS Center launched a Wellness Pilot Program in partnership with the University of Colorado. This pilot program not only promotes lifelong wellness in all aspects of patients' health (nutrition, exercise, and emotional wellbeing), but also provides a clinical setting for measurement and reporting of medical outcomes related to wellness. The MS Center will continue to develop and evaluate the pilot over the next 2 to 3 years to determine long-term feasibility and effectiveness.

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. 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 to maximize lifelong brain health and to meet each patient's needs, and development of an in-depth profile for MS to include genes, biomarkers, or environmental circumstances that are associated with earliest manifestations of MS. These efforts will help determine causes of MS and aid in the earliest potential intervention to either avoid or treat MS.

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, 2017, the allowance was \$10,000.

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.

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, 2017, 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.

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, 2017.

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.

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.

Charity Care

The MS Center provides health care services to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since the MS Center does not pursue collection of these amounts, they are not reported as client service revenue. The estimated cost of providing these services was \$90,780 for the year ended June 30, 2017.

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, 2017.

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. The MS Center's Forms 990, 990-T and other income tax filings required by state, local, or non-U.S. tax authorities are no longer subject to examination for years before 2013.

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 19, 2017, 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.

Rocky Mountain Multiple Sclerosis Center

Notes to Financial Statements

June 30, 2017

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. 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 using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets; 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, 2017:

| | 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) | \$ 32,051 | \$ - | \$ - | \$ - |
| Domestic corporate bonds | 130,071 | - | 130,071 | - |
| International corporate bonds | 17,618 | - | 17,618 | - |
| Mutual funds | | | | |
| International equity | 113,992 | 113,992 | - | - |
| Domestic index | 263,373 | 263,373 | - | - |
| | <u>\$ 557,105</u> | <u>\$ 377,365</u> | <u>\$ 147,689</u> | <u>\$ -</u> |
| Endowment investments | | | | |
| Cash equivalents (at cost) | \$ 15,634 | \$ - | \$ - | \$ - |
| Domestic corporate bonds | 63,444 | - | 63,444 | - |
| International corporate bonds | 8,593 | - | 8,593 | - |
| Mutual funds | | | | |
| International equity | 55,601 | 55,601 | - | - |
| Domestic index | 128,463 | 128,463 | - | - |
| | <u>\$ 271,735</u> | <u>\$ 184,064</u> | <u>\$ 72,037</u> | <u>\$ -</u> |
| Beneficial interests in | | | | |
| Charitable trust held by others | <u>\$ 180,186</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 180,186</u> |
| Assets held by Community First Foundation | <u>\$ 398,114</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 398,114</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 year ended June 30, 2017:

| | 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 | \$ 176,814 | \$ 371,868 |
| Distributions | - | (15,209) |
| Interest and dividends | - | 8,008 |
| Investment fees | - | (3,828) |
| Net realized and unrealized gain | 3,372 | 37,275 |
| Ending balance | \$ 180,186 | \$ 398,114 |
| Unrealized gain included in change in beneficial interests in the statement of activities relating to assets still held at June 30, 2017 | \$ 3,372 | \$ 35,549 |

Note 3 - Net Investment Return

Net investment return consists of the following for the year ended June 30, 2017:

| | |
|----------------------------------|-----------|
| Operating investments | |
| Interest and dividends | \$ 11,579 |
| Net realized and unrealized gain | 46,890 |
| Less investment management fees | (4,062) |
| | 54,407 |
| Endowment investments | |
| Interest and dividends | 5,144 |
| Net realized and unrealized gain | 22,317 |
| Less investment management fees | (1,927) |
| | 25,534 |
| | \$ 79,941 |

Note 4 - Promises to Give

Unconditional promises to give of \$71,525 at June 30, 2017 are estimated to be collected in one to three years. Substantially all of the outstanding amount is due from a single corporate donor in the form of donated professional services to be provided as projects are identified by management.

Note 5 - Property and Equipment

Property and equipment is comprised of the following at June 30, 2017:

| | |
|-------------------------------|--------------|
| Land and improvements | \$ 686,016 |
| Building and improvements | 1,104,263 |
| Furniture and equipment | 224,413 |
| | 2,014,692 |
| Less accumulated depreciation | (444,339) |
| | \$ 1,570,353 |

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, 2017). Accrued interest and principal are due at maturity on May 6, 2020.

Note 7 - Notes Payable

Notes payable consist of the following at June 30, 2017:

| | |
|---|------------|
| Note payable, original amount \$109,607, secured by real estate, bearing interest at 4.25%. Monthly payments of principal and interest of \$1,513 are due through May 2022. | \$ 80,325 |
| 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 2020. | 34,408 |
| | \$ 114,733 |

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

| | |
|------|------------|
| 2018 | \$ 27,668 |
| 2019 | 29,129 |
| 2020 | 24,586 |
| 2021 | 17,056 |
| 2022 | 16,294 |
| | \$ 114,733 |

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 for the year ending June 30, 2018 is \$9,296. Rent expense amounted to \$15,938 for the year ended June 30, 2017.

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, 2017, 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

As of June 30, 2017, the MS Center had the following endowment net asset composition by type of fund:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|----------------------------|-------------------|---------------------------|---------------------------|-------------------|
| Board-designated endowment | \$ 201,364 | \$ - | \$ - | \$ 201,364 |
| Donor-restricted endowment | - | 11,089 | 59,282 | 70,371 |
| | <u>\$ 201,364</u> | <u>\$ 11,089</u> | <u>\$ 59,282</u> | <u>\$ 271,735</u> |

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 equity 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. No distributions were made during the year ended June 30, 2017.

Changes in endowment net assets for the period ended June 30, 2017 are as follows:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Endowment net assets, beginning of year | \$ 182,442 | \$ 4,477 | \$ 59,282 | \$ 246,201 |
| Net investment return | | | | |
| Investment income, net of fees | 2,394 | 836 | - | 3,230 |
| Net realized and unrealized gain | 16,528 | 5,776 | - | 22,304 |
| | <u>18,922</u> | <u>6,612</u> | <u>-</u> | <u>25,534</u> |
| Endowment net assets, end of year | <u>\$ 201,364</u> | <u>\$ 11,089</u> | <u>\$ 59,282</u> | <u>\$ 271,735</u> |

Note 10 - Restricted Net Assets

Temporarily Restricted

Temporarily restricted net assets at June 30, 2017 consist of:

| | |
|---|------------|
| Promises to give - donated professional services to be provided at a future date | \$ 71,525 |
| Time restrictions (proceeds are not restricted by donors) Beneficial interest in charitable trust held by others | 180,186 |
| Purpose restricted by donors | |
| Research | 65,077 |
| Wellness program | 84,032 |
| Unspent appreciation of Endowment funds which must be appropriated for expenditure before use | 11,089 |
| | \$ 411,909 |

Net assets were released from restrictions as follows during the year ended June 30 2017:

| | |
|---------------------------------|-----------|
| Expiration of time restrictions | \$ 13,300 |
| Garden and xeriscaping | 17,796 |
| | \$ 31,096 |

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, 2017:

| | |
|---|------------|
| Beneficial interest in assets held by CFF | \$ 398,114 |
| Endowment funds | 59,282 |
| | \$ 457,396 |

Board-Designated

The Board of Directors has designated \$201,364 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 year ended June 30, 2017:

| | Program Services | Management and General | Fundraising | Special Events | Totals |
|------------------------|---------------------|---------------------------|-----------------|-------------------|------------------|
| Professional services | \$ 9,619 | \$ 13,300 | \$ 8,026 | \$ - | \$ 30,945 |
| Equipment and supplies | 2,363 | - | - | 16,909 | 19,272 |
| Publicity | - | - | - | 25,305 | 25,305 |
| | <u>\$ 11,982</u> | <u>\$ 13,300</u> | <u>\$ 8,026</u> | <u>\$ 42,214</u> | <u>\$ 75,522</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 year ended June 30, 2017, the costs of producing the newsletter included joint costs not directly attributable to any single function. Those costs were allocated among the following functional expense categories:

| | |
|-----------------------------|------------------|
| Education program | \$ 27,892 |
| Management and general | 7,732 |
| Fundraising and development | 4,142 |
| | <u>\$ 39,766</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 year ended June 30, 2017, the MS Center contributed \$22,827 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, 2018. The MS Center is required to pay the University of Colorado Denver for services of the Medical Director and other physicians. Payments expected to be made under the contract in future periods are \$153,750.