Financial Statements
December 31, 2011

Rocky Mountain Multiple Sclerosis Center

(With Comparative Totals for 2010)

Independent Auditor's Report

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

We have audited the accompanying statement of financial position of Rocky Mountain Multiple Sclerosis Center (the "MS Center") as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the MS Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized information has been derived from the MS Center's 2010 audited financial statements. Those statements were audited by other auditors whose report dated April 15, 2011, expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the MS Center's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rocky Mountain Multiple Sclerosis Center as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Golden, Colorado
March 16, 2012

www.eidebailly.com

440 Indiana St., Ste. 200 | Golden, CO 80401-5021 | TF 877.882.7929 | T 303.986.2454 | F 303.980.5029 | EOE

Rocky Mountain Multiple Sclerosis Center
Statement of Financial Position
December 31, 2011
(with comparative totals for 2010)

	2011	2010
Assets		
Cash and cash equivalents	$ 237,182	$ 58,329
Accounts receivable, net	106,231	99,189
Promises to give, net	323,000	258,250
Prepaid expenses and other assets	15,705	18,304
Cash held by MS Center Guild	26,686	26,282
Cash surrender value of life insurance policies	-	99,142
Beneficial interest in charitable remainder trust	156,875	152,012
Property and equipment, net	1,735,804	1,683,767
Investments held for board-designated endowment	284,072	285,129
Beneficial interest in assets held by Community First Foundation	325,291	347,312
Investments restricted to permanent endowment	29,547	29,547
Total assets	$ 3,240,393	$ 3,057,263
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 102,408	$ 103,367
Deferred grant revenue	130,325	46,132
Line of credit payable	-	100,000
Note payable	580,000	790,000
Total liabilities	812,733	1,039,499
Net Assets		
Unrestricted		
Board-designated endowment	284,072	285,129
Invested in property and equipment, net of related debt	1,155,804	893,767
Undesignated	435,702	261,747
Total unrestricted	1,875,578	1,440,643
Temporarily restricted	197,244	200,262
Permanently restricted	354,838	376,859
Total net assets	2,427,660	2,017,764
Total liabilities and net assets	$ 3,240,393	$ 3,057,263

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	2010 Total
Support and revenue					
Support					
Contributions	$ 1,156,344	$ 15,119	$ -	$1,171,463	$1,454,733
Gross special events revenue	187,812	-	-	187,812	166,902
Less cost of direct benefits to donors	(40,700)	-	-	(40,700)	(64,937)
Net special events revenue	147,112	-	-	147,112	101,965
Net assets released from restrictions	23,000	(23,000)	-	-	-
Total support	1,326,456	(7,881)	-	1,318,575	1,556,698
Revenue					
Tissue bank revenue	151,490	-	-	151,490	137,881
KADEP and other program services	864,048	-	-	864,048	849,625
Net investment return (loss)	(1,057)	-	-	(1,057)	(4,484)
Change in value of beneficial interests in assets held by others					
Charitable remainder trust	-	4,863	-	4,863	4,712
Assets held by Community First Foundation	-	-	(22,021)	(22,021)	15,653
Other income	70,481	-	-	70,481	66,491
Total revenues and other support	2,411,418	(3,018)	(22,021)	2,386,379	2,626,576
Expenses					
Program Services					
KADEP	993,231	-	-	993,231	942,625
Community care and support	164,354	-	-	164,354	187,253
Education	369,130	-	-	369,130	362,524
Research	170,074	-	-	170,074	136,678
Total program services	1,696,789	-	-	1,696,789	1,629,080
Supporting Services					
Management and general	130,320	-	-	130,320	141,029
Fundraising and development	149,374	-	-	149,374	184,772
Total supporting services	279,694	-	-	279,694	325,801
Total expenses	1,976,483	-	-	1,976,483	1,954,881
Increase (Decrease) in Net Assets	434,935	(3,018)	(22,021)	409,896	671,695
Total Net Assets, Beginning of Year	1,440,643	200,262	376,859	2,017,764	1,346,069
Total Net Assets, End of Year	$ 1,875,578	$ 197,244	$ 354,838	$2,427,660	$2,017,764

Rocky Mountain Multiple Sclerosis Center
Statement of Functional Expenses
Year Ended December 31, 2011
(with comparative totals for the year ended June 30, 2010)

	2011								2010
	Program Services					Supporting Services			
	KADEP	Community Care and Support	Education	Research	Total Program Services	Management and General	Fundraising and Development	Total	Total
Salaries, taxes and benefits	$ 632,989	$ 47,518	$ 94,900	$ 35,023	$ 810,430	$ 54,713	$ 62,278	$ 927,421	$ 891,364
Professional services									
Medical director	-	76,875	117,525	112,764	307,164	-	-	307,164	283,001
Other	29,863	25,680	11,671	4,400	71,614	28,420	14,468	114,502	132,271
Supplies	10,734	261	7,120	1,500	19,615	4,073	11,334	35,022	37,019
Telephone	10,519	853	3,565	174	15,111	1,712	3,565	20,388	21,665
Postage and delivery	2,790	499	4,602	1,800	9,691	865	9,490	20,046	22,230
Occupancy	26,178	1,636	1,636	-	29,450	1,886	1,636	32,972	104,549
Repairs and maintenance	50,564	3,036	3,155	-	56,755	3,111	3,036	62,902	10,354
Equipment rental and maintenance	13,722	2,751	10,905	-	27,378	2,751	10,905	41,034	39,714
Printing and publications	2,402	-	53,499	5,084	60,985	1,112	6,785	68,882	73,422
Participant activities, travel and meals	115,475	2,308	-	-	117,783	-	-	117,783	113,884
Conferences, conventions and meetings	3,406	8	11,681	2,942	18,037	11,749	9,504	39,290	61,617
Advertising	1,787	750	41,177	-	43,714	-	8,098	51,812	49,342
Insurance	12,692	895	895	-	14,482	930	860	16,272	22,923
Website - noncapital	-	-	4,915	-	4,915	-	4,842	9,757	16,548
Bad debts	5,484	-	-	-	5,484	-	-	5,484	3,157
Costs of direct benefits to donors	-	-	-	-	-	-	40,700	40,700	64,937
Investment management fees	-	-	-	-	-	6,582	-	6,582	3,054
Other miscellaneous expenses	11,082	-	600	-	11,682	8,203	1,289	21,174	22,375
Interest	20,541	1,284	1,284	-	23,109	5,874	1,284	30,267	11,544
Total before depreciation and amortization	950,228	164,354	369,130	163,687	1,647,399	131,981	190,074	1,969,454	1,984,970
Depreciation and amortization	43,003	-	-	6,387	49,390	4,921	-	54,311	37,902
Total functional expenses	993,231	164,354	369,130	170,074	1,696,789	136,902	190,074	2,023,765	2,022,872
Expenses netted against revenue									
Cost of direct benefits to donors	-	-	-	-	-	-	(40,700)	(40,700)	(64,937)
Investment management fees	-	-	-	-	-	(6,582)	-	(6,582)	(3,054)
Total Expenses	$ 993,231	$ 164,354	$ 369,130	$ 170,074	$ 1,696,789	$ 130,320	$ 149,374	$ 1,976,483	$ 1,954,881

Rocky Mountain Multiple Sclerosis Center

Statement of Cash Flows
Year Ended December 31, 2011
(with comparative totals for the year ended June 30, 2010)

	2011	2010
Cash Flows from Operating Activities		
Change in net assets	$ 409,896	$ 671,695
Adjustment to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	54,311	37,902
Contributed property and equipment	-	(40,591)
Bad debt expense	5,484	3,157
Increase in value of charitable remainder trust	(4,863)	(4,712)
Increase in cash surrender value of life insurance policies	(126)	(3,197)
(Increase) decrease in value of beneficial interest in assets held by Community First Foundation	22,021	(32,662)
Contributions restricted for building purchase	(541,466)	(603,725)
Loss on disposal of property and equipment	-	1,829
Net realized and unrealized (gain) loss on investments	1,057	7,292
(Increase) decrease in operating assets		
Accounts receivable	(12,526)	1,935
Promises to give	(64,750)	(118,340)
Prepaid expenses and other assets	2,599	(13,647)
Cash held by MS Center Guild	(404)	8,585
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(959)	(36,385)
Deferred grant revenue	84,193	26,040
Net Cash Used in Operating Activities	(45,533)	(94,824)
Cash Flows from Investing Activities		
Use of cash held for building purchase	-	213,130
Net sales (purchases) of investments and reinvested dividends and interest	-	(489)
Proceeds from redemption of life insurance policies	99,268	-
Purchases of property and equipment	(106,348)	(1,633,224)
Net Cash Used in Investing Activities	(7,080)	(1,420,583)
Cash Flows from Financing Activities		
Collections of contributions restricted for building purchase and improvement	541,466	603,725
Cash received from Community First Foundation	-	17,009
Proceeds from line of credit	15,000	100,000
Repayments on line of credit	(115,000)	-
Proceeds from note payable	-	790,000
Repayments on notes payable	(210,000)	-
Net Cash Provided by Financing Activities	231,466	1,510,734
Net Increase (Decrease) in Cash and Cash Equivalents	178,853	(4,673)
Cash and Cash Equivalents at Beginning of the Year	58,329	63,002
Cash and Cash Equivalents at End of the Year	$ 237,182	$ 58,329
Supplemental Disclosures		
Cash paid for interest	$ 30,267	$ 11,544

Note 1 - Summary of Significant Accounting Policies

General

Founded in 1978, Rocky Mountain Multiple Sclerosis Center (the "MS Center") is 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, collaboration and outreach.

<u>Care</u>

MS Specialty Care
Through its affiliation with the MS Center at the Anschutz Medical Campus ("MS Center at AMC"), the University of Colorado at Denver and the University of Colorado Hospital have joined together to form an 'MS Center of Excellence' to provide patient care, education, support and cutting-edge research to serve the Rocky Mountain region. State of the art medical care is provided by MS specialty neurologists. Uninsured or underinsured patients may receive specialty care one day per week at the MS Center at AMC through an affiliation with Metro Community Providers Network.

Specialized Adult Day Care Services
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.

Specialty Care Clinics
The MS Center is affiliated with specialty-care clinics, designed to help multiple sclerosis patients manage specific issues related to multiple sclerosis. The MS Disability Clinic provides evaluations for individuals anticipating disability applications and assistance navigating this challenging process. Fatigue Management is a six week course offered quarterly to teach a variety of energy conservation strategies. The MS Center also offers MS Hydrotherapy programs providing maintenance rehabilitation to individuals living with MS.

<u>Support</u>

The MS Center provides counseling and support services for people with MS and their families. Through individual and family counseling, support groups and seminars, the Center offers a range of resources to address individual needs. Every month a MS 101 class is offered to the newly diagnosed patient and their families. The MS Center Call Center provides a centralized place for individuals to get questions answered and referrals provided.

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 multiple sclerosis. The MS Center conducts a variety of public seminars and maintains an interactive internet website at www.mscenter.org featuring a Living Well landing page, which provides current patient education information. The MS Center has produced several patient handbooks and publications on multiple sclerosis. The "MS Navigator" is a publication that provides patients with a personalized health record to help them more effectively manage their healthcare. An annual Providers Summit results in an MS Providers Directory. 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 version, and distributes an electronic newsletter called "e.MS News" which features breaking research information and opportunities to participate in clinical research in MS.

Research

Clinical Trials
The MS Center engages in a variety of research projects designed to improve the lives of individuals living with multiple sclerosis. Faculty initiated clinical research fuels the search for safer and more effective treatments and combination therapies to treat MS.

Brain and Tissue Bank
The MS Center houses one of the world's largest fresh brain-tissue banks, essential to research into the cause and the cure of multiple sclerosis conducted around the world. The tissue is retrieved, stored and provided to researchers from around the world studying MS.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Accordingly, such information should be read in conjunction with the MS Center's audited financial statements for the year ended December 31, 2010, from which the summarized information was derived.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

For purposes of the Statements of Financial Position and Cash Flows, the MS Center considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither restricted by donors, nor held for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments held for long-term purposes, regardless of the original length to maturity, are reported as investments and excluded from this definition. Cash held by the MS Center Guild is excluded from operating cash until the cash is appropriated for expenditure by the MS Center Guild.

Accounts Receivable

Accounts receivable consist primarily of noninterest bearing amounts due from KADEP clients. The allowance method is used to determine the uncollectible amounts. The allowance is based upon historical experience, assessment of the current economic environment, and analysis of subsequent events. Receivables are written off when determined to be uncollectible. Management established an allowance for doubtful accounts of $3,500 at December 31, 2011.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates applicable to the years in which the promises to give are received. In subsequent years, amortization of the discounts is included in contribution revenue. Conditional promises to give are not recorded as support until the conditions are substantially met.

The allowance method is used to determine the uncollectible amounts. The allowance is based upon historical experience, an assessment of the current economic environment, and analysis of subsequent events. At December 31, 2011, management determined no allowance was necessary.

Investments

Investment purchases are initially recorded at cost, or if donated, at fair value on the date of donation. Investments are reported at fair value in the statement of financial position, and unrealized gains and losses are included in the statement of activities. Net investment loss consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Property and Equipment

Property and equipment additions are recorded at cost, or if donated, at fair value on the date of donation. The MS Center capitalizes all expenditures for equipment and improvements over $1,000. Depreciation and amortization 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 asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Repairs and maintenance are charged to expense when incurred.

Impairment of Long-Lived Assets

The MS Center reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced to its current fair value by a charge to the statement of activities. Management has determined there were no indicators of impairment as of December 31, 2011 or during the year then ended.

Cash Surrender Value of Life Insurance Policies

Life insurance policies are recorded at their fair values with unrealized gains and losses included in the statement of activities. During 2011, all life insurance policies were redeemed for their cash surrender values.

Deferred Revenue

Deferred revenue consists of grant and contract payments received in advance, which are recognized when the related expenditures are incurred.

Unrestricted Net Assets

Unrestricted net assets are 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

Temporarily restricted net assets consist of amounts that are 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.

The MS Center reports gifts of cash and other assets restricted by the donor as unrestricted support if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or 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.

Permanently Restricted Net Assets

Permanently restricted net assets consist of 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 agreement. Permanently restricted net assets also reflect the MS Center's beneficial interest in assets held by Community First Foundation.

Revenue Recognition

Program revenue is recognized when earned. Contributions are recognized when cash, other assets, or an unconditional promise to give is received.

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 Materials

Donated professional services are recorded at the respective fair values of the services received. Donated materials are recorded at fair value at the date of donation. Volunteers contribute significant amounts of time to the MS Center's program, administrative, and fundraising 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.

Expenses

Expenses are recognized when incurred. Expenses paid in advance but not yet incurred are deferred to the applicable period.

Advertising

The MS Center uses advertising to promote its programs among the constituents it serves, and to carry out certain administrative functions. Costs of advertising, which are expensed as incurred, totaled $51,812 during the year ended December 31, 2011.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses and reported as such in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Financial Instruments and Credit Risk

The MS Center manages deposit concentration risk by placing its temporary cash and money market accounts with various financial institutions considered by management to be high quality. At times, a significant portion of the funds exceed Federal Deposit Insurance Corporation ("FDIC") or other insurance limits. The MS Center has not experienced any losses in such accounts.

Investments are made primarily by management and an investment committee of the Board of Directors. Though the market values of investments are subject to fluctuation on a year-to-year basis, management and the investment committee believe that the investment policy is prudent for the long-term welfare of the MS Center.

Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates, and because a substantial portion of amounts outstanding are due from board members, governmental agencies and foundations supportive of the MS Center's mission.

Accounting for Uncertain Tax Positions

The MS Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1). However, income from activities not directly related to the MS Center's tax-exempt purpose is subject to taxation as unrelated business income. The MS Center did not have taxable income or income tax expense during the year ended December 31, 2011.

Management performs an annual analysis of the MS Center's various tax positions, assessing the likelihood of those positions being upheld upon examination by relevant tax authorities. Management believes that it has conducted its operations in accordance with, and has properly maintained, its tax-exempt status, and that it has taken no material uncertain tax positions that qualify for recognition or disclosure in the financial statements. The MS Center is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2008.

Note 2 - Fair Value Disclosures

The MS Center follows the methods of fair value measurement described in the Fair Value Measurements and Disclosures topic of the Financial Accounting Standards Board ("FASB")Accounting Standards Codification (the "Codification") to determine the fair values of all assets and liabilities required to be measured at fair value. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability, i.e., the "exit price," in an orderly transaction between market participants at the measurement date. A hierarchy prioritizes the observable and unobservable inputs used to measure fair value into three broad levels, as described below:

Level 1 – Observable inputs such as quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, or model-derived valuations in which all significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 – Unobservable inputs are used when little or no market data is available.

In some cases, the inputs used to measure fair value might fall into different levels of the fair value hierarchy, in which case the investment's level within the fair value hierarchy is reported based on the lowest level of input that is significant to the asset in its entirety. Assessing the significance of a particular input to the asset in its entirety requires judgment and considers 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 that asset.

The Level 1 investment is an open-ended U.S. government bond index mutual fund with a readily determinable fair value based on its daily redemption value.

Corporate bonds, U.S. government-sponsored entity bonds, and certificates of deposit 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. These are classified within Level 2.

The MS Center records the fair values of beneficial interests in charitable remainder trusts using present value techniques and discount rates commensurate with the risks involved; beneficial interests in assets held by the Community First Foundation are valued based on the fair value of fund investments as reported by the Foundation. These are considered to be Level 3 measurements.

The related fair values of these assets are determined as follows:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments restricted to board-designated and permanent endowment				
Corporate bonds	$ 76,422	$ -	$ 76,422	$ -
U.S. government-sponsored enterprise bonds	49,999	-	49,999	-
Certificates of deposit	75,281	-	75,281	-
U.S. government bond index fund	89,809	89,809	-	-
	$ 291,511	$ 89,809	$ 201,702	$ -
Cash and money market funds (at cost)	22,108			
	$ 313,619			
Beneficial interest in charitable remainder trust	$ 156,875	$ -	$ -	$ 156,875
Beneficial interest in assets held by Community First Foundation	$ 325,291	$ -	$ -	$ 325,291

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) during the year ended December 31, 2011:

	Beneficial Interest in Assets Held by Community First Foundation	Beneficial Interest in Perpetual Trust
Beginning balance	$ 152,012	$ 347,312
Distributions	-	(17,574)
Interest and dividends	-	10,259
Investment fees	-	(2,639)
Net realized and unrealized gains	4,863	(12,067)
Ending balance	$ 156,875	$ 325,291
Gains (losses) included in the statement of activities attributable to the change in unrealized gains relating to assets still held at December 31, 2011	$ 4,863	$ (12,178)

Note 3 - Net Investment Loss

Net investment loss was composed of the following for the year ended December 31, 2011:

Dividend and interest income	$	6,068
Net realized and unrealized losses		(3,236)
Investment management fees		(3,889)
	$	(1,057)

Note 4 - Promises to Give

Following is a summary of unconditional promises to give at December 31, 2011:

Receivable in less than one year	$	320,750
Receivable in one to five years		2,250
	$	323,000

Amounts due in more than one year have not been discounted to their net present values because the discounts are immaterial. Approximately 91% of outstanding promises to give are due from three donors.

Note 5 - Beneficial Interest in Charitable Remainder Trust

The MS Center is the beneficiary of an irrevocable charitable remainder trust (the “Trust”) that provides for the payment of distributions to the grantor and another designated beneficiary over their respective lifetimes. Upon termination of the Trust, a stipulated payment of $250,000 is to be made to the MS Center for its unrestricted use. The fair value of the MS Center’s beneficial interest in the Trust is based on the present value of the stipulated payment to be received from the Trust upon the Trust’s termination. The discount on that amount is computed using an interest rate of 6.5% for the year ended December 31, 2011:

Gross amount	$	250,000
Less unamortized discount		(93,125)
	$	156,875

No distributions were received during 2011, nor are any anticipated during the next three years.

Note 6 - Community First Foundation

During 2004, the MS Center established a permanent endowment fund (the "Fund") under the Community First Foundation's ("CFF") Nonprofit Preservation Endowment Challenge Grant program ("Challenge Grant"), and named itself as the beneficiary. The MS Center granted variance power to the Fund which allows the Fund 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 MS Center follows the requirements of the Financially Interrelated Entities Topic of the Codification to record transfers of assets to other organizations. Pursuant to the Codification, the transfer was not considered to be a contribution from the MS Center to the Fund, but rather was accounted for as a reciprocal transfer between the MS Center and the Fund. Therefore, the transfer is reflected in the statement of financial position as *Beneficial interest in assets held by Community First Foundation*. The Fund is held and invested by CFF for the benefit of KADEP.

Note 7 - Property and Equipment

Property and equipment are comprised of the following for the year ended December 31, 2011:

Land	$ 595,006
Land improvements	43,108
Building	450,442
Building improvements	651,468
Furniture and equipment	169,431
Total property and equipment	1,909,455
Less accumulated depreciation	(173,651)
Net property and equipment	$ 1,735,804

Note 8 - Line of Credit

The MS Center has a $100,000 revolving line of credit with a bank, secured by property. Borrowings under the agreement bear interest at the bank's prime rate (or a floor rate of 4.0%) plus 0.1% (4.1% at December 31, 2011). Payment of all accrued interest and principal is due at maturity. At December 31, 2011, no balance was outstanding under the line of credit, which matures April 3, 2015. The line of credit requires the MS Center to comply with certain financial and non-financial covenants. The MS Center is in compliance with such covenants at December 31, 2011.

Note 9 - Note Payable

The MS Center purchased a building in March 2010 borrowing $800,000 from a bank under a promissory note payable, bearing interest at the bank's prime rate (or a floor of 4.0%) plus 0.1% (4.1% at December 31, 2011) with interest only payments due monthly through maturity on April 3, 2015, at which time a balloon payment of all outstanding principal and interest becomes due. The note is secured by the building and certain other assets of the MS Center. During the year ended December 31, 2011, the MS Center made principal payments of $210,000. The promissory note requires the MS Center to comply with certain financial and non-financial covenants. The MS Center is in compliance with such covenants at December 31, 2011.

Note 10 - Restrictions on Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of unconditional promises to give, contributions received, and investment earnings restricted by donors for particular purposes or time periods at December 31, 2011:

Time		
Future operating costs	$	33,000
Beneficial interest in charitable remainder trust		156,875
Purpose		
Acquisition of fitness equipment		7,369
	$	197,244

During 2011, temporarily restricted net assets totaling $23,000 were released from restrictions due to the passage of time.

Permanently Restricted Net Assets

Permanently restricted net assets consist of the MS Center's beneficial interest in the assets held by the CFF, and investments restricted to permanent endowment, as follows at the year ended December 31, 2011:

Beneficial interest in assets held by CFF	$	325,291
Bettinger Fund		3,317
McHugh Fund		10,000
Pundsack Fund		14,730
Other		1,500
	$	354,838

Distributions from CFF are restricted for use by KADEP. Income from other permanently restricted net assets is available for appropriation for general operating purposes.

At December 31, 2011, the Board of Directors has designated $284,072, including the unrestricted Dominick Fund ($33,720) for endowment, the income from which is to be used for general operating purposes. During 2011, the Board of Directors did not release any amounts from designation for endowment.

Note 11 - Endowment

Composition of Endowment

MS Center's Endowment Fund is established by action of Board of Directors (the "Board") to be maintained in perpetuity. The Endowment Fund may include both donor-restricted endowment funds as well as funds designated by the Board to function as endowments. The endowment funds may be established for either specific purposes or general operating use. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

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 December 31, 2011, there were no contrary 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 permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 that is not classified in permanently restricted net assets 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

Return Objectives and Risk Parameters

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. Under these policies, endowment assets are invested in a manner intended to produce results measured over full market cycles that equal or exceed the price and yield results of a blended portfolio composed of open-end fixed income mutual funds and corporate bonds, while assuming a low-to-moderate level of investment risk. 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.

Strategies Employed for Achieving Objectives

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.

Spending Policy and Relation to Investment Objectives

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 assets as well as to provide an opportunity for real growth through new gifts and undistributed investment return.

The MS Center's endowment is composed of donor-restricted contributions and the amount of unrestricted net assets designated for endowment by the MS Center's Board of Directors from time to time. Earnings arising from permanently restricted funds are temporarily restricted until appropriated for expenditure. Earnings arising from board-designated funds are unrestricted.

The endowment consisted of the following at the year ended December 31, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Permanently restricted endowment	$ -	$ -	$ 29,547	$ 29,547
Board-designated endowment	284,072	-	-	284,072
	$ 284,072	$ -	$ 29,547	$ 313,619

Changes in endowment net assets were as follows for the year ended December 31, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 285,129	$ -	$ 29,547	$ 314,676
Investment return				
Dividends and interest income	5,497	572	-	6,069
Investment management fees	(2,932)	(305)	-	(3,237)
Net realized and unrealized losses	(3,523)	(366)	-	(3,889)
Total investment return	(958)	(99)	-	(1,057)
Deficiency in original fair value of permanently restricted net assets over current fair value	(99)	99	-	-
Endowment net assets, end of year	$ 284,072	$ -	$ 29,547	$ 313,619

Funds with Deficiencies

From time to time, the fair values of certain permanently restricted endowments may fall below their historical gift values, the amount UPMIFA requires the MS Center to retain as a fund of perpetual duration. The MS Center reclassified board-designated quasi endowment net assets in the amount of $99 to temporarily restricted thus restoring certain permanently restricted endowments to their original historical gift values. The deficiency resulted from unfavorable market conditions during 2011.

Note 12 - Retirement Plan

The MS Center sponsors a Savings Incentive Match Plan (the "Plan") 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 2011, the MS Center contributed $5,503 to the Plan.

Note 13 - Donated Services and Materials

The MS Center received contributed supplies, equipment, and donated professional services comprised of the following during the year ended December 31, 2011:

	Management and General	Fundraising and Development
Advertising	$ 46,750	$ -
Maintenance	1,011	
Special events	-	5,052
	$ 47,761	$ 5,052

Note 14 - Commitments

Rocky Mountain MS Center at Anschutz Medical Campus

The MS Center entered into an agreement with the Regents of the University of Colorado acting on behalf of the University of Colorado Denver School of Medicine ("UC Denver") and its Department of Neurology, and the University of Colorado Hospital Authority to create the MS Center of Excellence to be known as the Rocky Mountain MS Center at Anschutz Medical Campus. The term of the original agreement was for three years commencing on August 1, 2008 and ending July 31, 2011. During 2011, the agreement was amended to extend the original terms to July 31, 2012. The MS Center is required to pay UC Denver $153,750 annually for services of the Medical Director. Future payments under the contract for 2012 amount to $89,688.

Operating Leases

The MS Center leases office equipment under non-cancelable operating leases expiring over the next 4 years. Future minimum lease payments required under the agreements are as follows:

Year ending December 31,	
2012	$ 18,300
2013	17,668
2014	14,508
2015	7,254
	$ 57,730

Note 15 - Subsequent Events

The MS Center has evaluated subsequent events through March 16, 2012, which is the date the financial statements were available to be issued.