Financial Statements
December 31, 2012

Rocky Mountain Multiple Sclerosis Center

(With Comparative Totals for 2011)

EideBailly

CPAs & BUSINESS ADVISORS

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 (the MS Center), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information
We have previously audited the Rocky Mountain Multiple Sclerosis Center's 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 16, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Eide Bailly LLP

Golden, Colorado
April 3, 2013

	2012	2011
Assets		
Cash and cash equivalents	$ 52,093	$ 237,182
Investments	126,397	-
Accounts receivable, net	94,030	106,231
Promises to give, net	58,850	323,000
Prepaid expenses and other assets	9,015	15,705
Cash held by MS Center Guild	-	26,686
Funds held in trust for others	4,055	-
Beneficial interest in charitable remainder trust held by others	161,893	156,875
Property and equipment, net	1,699,309	1,735,804
Beneficial interest in assets held by Community First Foundation	348,739	325,291
Endowment investments	189,701	313,619
Total assets	$ 2,744,082	$ 3,240,393
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 121,737	$ 102,408
Funds held in trust for others	4,055	-
Deferred revenue	129,897	130,325
Note payable	105,000	580,000
Total liabilities	360,689	812,733
Net Assets		
Unrestricted		
Undesignated	52,469	435,702
Board-designated quasi-endowment	160,021	284,072
Invested in property and equipment, net of related debt	1,594,309	1,155,804
	1,806,799	1,875,578
Temporarily restricted	198,308	197,244
Permanently restricted	378,286	354,838
Total net assets	2,383,393	2,427,660
Total liabilities and net assets	$ 2,744,082	$ 3,240,393

Rocky Mountain Multiple Sclerosis Center

Statement of Activities

Year Ended December 31, 2012

(with comparative totals for the year ended December 31, 2011)

	2012				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2011
Support and Revenue					
Support					
Contributions	$ 839,692	$ 8,600	$ -	$ 848,292	$ 1,171,463
Less gross amounts raised on behalf of others	(149,055)	-	-	(149,055)	-
Net contributions	690,637	8,600	-	699,237	1,171,463
Gross special events revenue	367,806	-	-	367,806	187,812
Less cost of direct benefits to donors	(73,336)	-	-	(73,336)	(40,700)
Net special events revenue	294,470	-	-	294,470	147,112
Net assets released from restrictions	30,250	(30,250)	-	-	-
Total support	1,015,357	(21,650)	-	993,707	1,318,575
Revenue					
Tissue bank revenue	183,686	-	-	183,686	151,490
KADEP and other program services	881,701	-	-	881,701	864,048
Net investment return (loss)	2,346	133	-	2,479	(1,057)
Change in value of beneficial interests in assets held by others					
Charitable remainder trust	-	5,018	-	5,018	4,863
Assets held by Community First Foundation	-	17,563	23,448	41,011	(22,021)
Other income	39,646	-	-	39,646	70,481
Total support and revenue	2,122,736	1,064	23,448	2,147,248	2,386,379
Expenses					
Program services expenses					
KADEP	1,086,628	-	-	1,086,628	993,231
Community care and support	92,712	-	-	92,712	164,354
Education	413,498	-	-	413,498	369,130
Research	261,062	-	-	261,062	170,074
Total program services expenses	1,853,900	-	-	1,853,900	1,696,789
Supporting services expenses					
Management and general	125,666	-	-	125,666	130,320
Fundraising and development	211,949	-	-	211,949	149,374
Total supporting services expenses	337,615	-	-	337,615	279,694
Total expenses	2,191,515	-	-	2,191,515	1,976,483
Change in Net Assets	(68,779)	1,064	23,448	(44,267)	409,896
Net Assets, Beginning of Year	1,875,578	197,244	354,838	2,427,660	2,017,764
Net Assets, End of Year	$ 1,806,799	$ 198,308	$ 378,286	$ 2,383,393	$ 2,427,660

	2012								
	Program Services					Supporting Services			
	KADEP	Community Care and Support	Education	Research	Total Program Services	Management and General	Fundraising and Development	Total	2011
Salaries, taxes and benefits	$ 711,816	$ 44,613	$ 124,233	$ 21,835	$ 902,497	$ 52,228	$ 79,859	$ 1,034,584	$ 927,421
Professional services									
Medical director	-	-	105,675	232,832	338,507	-	-	338,507	307,164
Other	23,849	28,775	17,945	2,874	73,443	22,638	26,576	122,657	114,502
Supplies	15,054	427	2,931	-	18,412	3,199	15,630	37,241	35,022
Telephone	5,138	931	3,593	687	10,349	4,348	3,593	18,290	20,388
Postage and delivery	794	504	5,458	-	6,756	504	6,512	13,772	20,046
Occupancy	26,642	1,665	1,665	-	29,972	1,665	1,665	33,302	32,972
Repairs and maintenance	54,144	3,046	3,106	-	60,296	3,046	3,106	66,448	62,902
Equipment rental and maintenance	17,317	2,747	10,859	-	30,923	2,618	10,632	44,173	41,034
Printing and publications	414	-	70,433	2,824	73,671	1,018	26,327	101,016	68,882
Participant activities, travel and meals	146,310	4,284	-	-	150,594	-	-	150,594	117,783
Conferences, conventions and meetings	5,370	-	34,117	-	39,487	12,117	5,481	57,085	39,290
Advertising	793	-	19,794	-	20,587	-	19,840	40,427	51,812
Insurance	16,770	1,255	2,053	-	20,078	1,215	2,053	23,346	16,272
Website - noncapital	-	72	8,076	-	8,148	-	4,274	12,422	9,757
Bad debt expense	-	-	-	-	-	5,909	250	6,159	5,484
Cost of direct benefits to donors	-	-	-	-	-	-	73,336	73,336	40,700
Investment management fees	-	-	-	-	-	4,112	-	4,112	3,889
Other miscellaneous expenses	4,814	-	25	10	4,849	9,576	2,616	17,041	21,174
Interest	6,049	1,236	378	-	7,663	2,428	378	10,469	30,267
Total before depreciation and amortization	1,035,274	89,555	410,341	261,062	1,796,232	126,621	282,128	2,204,981	1,966,761
Depreciation and amortization	51,354	3,157	3,157	-	57,668	3,157	3,157	63,982	54,311
	1,086,628	92,712	413,498	261,062	1,853,900	129,778	285,285	2,268,963	2,021,072
Less expenses included with revenues on the statement of activities									
Cost of direct benefits to donors	-	-	-	-	-	-	(73,336)	(73,336)	(40,700)
Investment management fees	-	-	-	-	-	(4,112)	-	(4,112)	(3,889)
Total expenses included in the expense section on the statement of activities	$ 1,086,628	$ 92,712	$ 413,498	$ 261,062	$ 1,853,900	$ 125,666	$ 211,949	$ 2,191,515	$ 1,976,483

	2012	2011
Cash Flows from Operating Activities		
Change in net assets	$ (44,267)	$ 409,896
Adjustment to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation and amortization	63,982	54,311
Bad debt expense	6,159	5,484
Increase in value of charitable remainder trust	(5,018)	(4,863)
Increase in cash surrender value of life insurance policies	-	(126)
(Increase) decrease in value of beneficial interest in assets held by Community First Foundation	(23,448)	22,021
Contributions restricted for building purchase	-	(541,466)
Net investment return (loss)	(2,479)	1,057
Changes in operating assets and liabilities		
Accounts receivable, net	6,042	(12,526)
Promises to give, net	264,150	(64,750)
Prepaid expenses and other assets	6,690	2,599
Cash held by MS Center Guild	26,686	(404)
Accounts payable and accrued expenses	19,329	(959)
Deferred revenue	(428)	84,193
Net Cash from (used for) Operating Activities	317,398	(45,533)
Cash Flows from Investing Activities		
Proceeds from redemption of life insurance policies	-	99,268
Purchases of property and equipment	(27,487)	(106,348)
Net Cash from (used for) Investing Activities	(27,487)	(7,080)
Cash Flows from Financing Activities		
Collections of contributions restricted for building purchase	-	541,466
Proceeds from line of credit	-	15,000
Repayments on line of credit	-	(115,000)
Repayments on notes payable	(475,000)	(210,000)
Net Cash from (used for) Financing Activities	(475,000)	231,466
Net Change in Cash and Cash Equivalents	(185,089)	178,853
Cash and Cash Equivalents, Beginning of Year	237,182	58,329
Cash and Cash Equivalents, End of Year	$ 52,093	$ 237,182
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	$ 10,469	$ 30,267

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Founded in 1978, the Rocky Mountain Multiple Sclerosis Center, Inc. (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>KADEP</u>

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.

<u>Community Care and Support</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. The MS Center also has affiliated MS Specialty clinics at the Denver Veteran's Administration Hospital, and at Denver Health Medical Center.

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. The MS Center also offers MS Hydrotherapy programs providing 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, support groups and seminars, the Center offers a range of resources to address individual needs. Every month MS 101 classes are 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 produced several patient handbooks and publications on multiple sclerosis. The “MS Navigator” is a publication providing 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.

Translational Research
In 2012, the MS Center began raising funds for the benefit of the Translational Research Program at the University of Colorado at Denver. This new research initiative was developed to apply the knowledge gained over the last 20 years of clinical research to the development of a cure and new therapies to treat MS and stimulate central nervous system repair.

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, 2011, from which the summarized information was derived.

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 primarily of noninterest-bearing amounts due from KADEP clients. Management determines the allowance for uncollectible 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 December 31, 2012, the allowance was $3,500.

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 uncollectible 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 December 31, 2012, management determined no allowance was necessary.

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 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 cost and related depreciation and amortization 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 December 31, 2012.

Beneficial Interest in Charitable Remainder Trust Held by Others

The MS Center has been named as an irrevocable beneficiary of an irrevocable 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 interests in the trust are reported at fair value in the statement of financial position, with trust distributions and changes in fair value recognized in the statement of activities. Upon receipt of trust distributions and/or expenditures in satisfaction of the restricted purpose stipulated by the donor, if any, temporarily restricted net assets are released to unrestricted net assets; permanently restricted net assets are transferred to the endowment.

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 trust distributions and changes in fair value recognized in the statement of activities.

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.

Deferred Revenue

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

Funds Held in Trust for Others

The MS Center raises funds to support the Translational Research Program at the University of Colorado. The research is discovery research, which is typically not funded by non-philanthropic sources. The MS Center Board has stated an intention of raising $500,000 to launch and support the program. Funds raised in support of the program are passed directly to the CU Foundation, and 100% of the funds are directed to the MS Translational Research Program. In 2012, $149,055 was raised, of which, $145,000 has been transferred to the CU Foundation. Certain donors have informed the MS Center of their intentions to contribute an additional $250,000 for this purpose over the next two years. Receipts are recorded as increases in Funds Held in Trust and disbursements as decreases in the Funds Held in Trust of the statement of financial position.

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 quasi-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 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 – 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. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. 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. MS Center records donated professional services at the respective fair values of the services received.

Advertising Costs

Advertising costs are expensed as incurred and totaled $40,427 for the year ended December 31, 2012.

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. The MS Center had an insignificant amount of unrelated business income and has not accrued a provision for income tax expense. The MS Center files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

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-T are no longer subject to tax examination for years before 2009.

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, money market accounts, and certificates of deposit 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 April 3, 2013, the date the financial statements were available to be issued.

Note 2 - Fair Value Measurements and Disclosures

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability 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 or liability, 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 or liability 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 or liability 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 or liabilities 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 or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. 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 or a liability 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 or liability. 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 or liability.

A significant portion of the MS Center's investment assets are classified within Level 1 because they are comprised of an open-end U.S. government bond index mutual fund with a readily determinable fair value based on daily redemption values. Corporate and U.S. government-sponsored enterprise 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 remainder trust is determined by management using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets, and is based on the fair values 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 December 31, 2012:

		Fair Value Measurements at Report Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Cash and money market funds (at cost)	$ 43,531	$ -	$ -	$ -
Corporate bonds	10,038	-	10,038	-
U.S. government-sponsored enterprise bonds	20,207	-	20,207	-
U.S. government bond index fund	52,621	52,621	-	-
	$ 126,397	$ 52,621	$ 30,245	$ -
Endowment investments				
Cash and money market funds (at cost)	$ 65,091	$ -	$ -	$ -
Corporate bonds	15,094	-	15,094	-
U.S. government-sponsored enterprise bonds	30,387	-	30,387	-
U.S. government bond index fund	79,129	79,129	-	-
	$ 189,701	$ 79,129	$ 45,481	$ -
Beneficial interest in				
Charitable remainder trust held by others	$ 161,893	$ -	$ -	$ 161,893
Assets held by Community First Foundation	$ 348,739	$ -	$ -	$ 348,739

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 December 31, 2012:

	Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)	
	Beneficial Interests	
	Charitable Remainder Trust	Assets Held by Community First Foundation
Beginning balance	$ 156,875	$ 325,291
Distributions	-	(17,563)
Interest and dividends	-	7,752
Investment fees	-	(3,478)
Net realized and unrealized gain	5,018	36,737
Ending balance	$ 161,893	$ 348,739
Unrealized gain included in the statement of activities relating to assets still held at December 31, 2012	$ 5,018	$ 27,525

Note 3 - Net Investment Return

Net investment return consists of the following for the year ended December 31, 2012:

Dividend and interest income	5,875
Net realized and unrealized gain	716
Less investment management fees	(4,112)
	$ 2,479

Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at December 31, 2012:

Receivable in less than one year	$ 58,600
Receivable in one to five years	250
	$ 58,850

Amounts due in more than one year have not been discounted to their net present values because the discounts are immaterial. Approximately 89% of outstanding promises to give are due from one donor.

Note 5 - Property and Equipment

Property and equipment is comprised of the following at December 31, 2012:

Land and improvements	$ 645,614
Building and improvements	1,101,910
Furniture and equipment	119,054
	1,866,578
Less accumulated depreciation	(167,269)
	$ 1,699,309

Note 6 - 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, 2012). Accrued interest and principal are due at maturity (April 3, 2015). The line of credit requires the MS Center to comply with certain financial and non-financial covenants, all of which the MS Center was in compliance with at December 31, 2012.

Note 7 - 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, 2012) 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, 2012, the MS Center made principal payments of $475,000. The agreement requires the MS Center to comply with certain financial and non-financial covenants, all of which the MS Center was in compliance with at December 31, 2012.

Note 8 - Operating Leases

The MS Center leases office equipment under non-cancelable operating leases expiring over the next 3 years. Future minimum lease payments required under the agreements are as follows:

Year ending December 31,	
2013	17,668
2014	14,508
2015	7,254
	$ 39,430

Note 9 - Endowment

The MS Center's Endowment (the Endowment) consists of approximately 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 quasi-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 December 31, 2012, 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 December 31, 2012, the MS Center had the following endowment net asset composition by type of fund:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated quasi-endowment	$ 160,021	$ -	$ -	$ 160,021
Donor-restricted for permanent endowment	-	133	29,547	29,680
	$ 160,021	$ 133	$ 29,547	$ 189,701

At December 31, 2011, certain donor-restricted endowment funds had fair values less than the amount of the original gifts (the permanently restricted portion of the funds). During 2012, improved market conditions increased the fair values of permanently restricted endowments, and the prior year deficiencies were recovered.

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

Changes in endowment net assets at December 31, 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 284,072	$ -	$ 29,547	$ 313,619
Net investment return				
Dividends and interest income	5,326	549	-	5,875
Investment management fees	(3,728)	(384)	-	(4,112)
Net realized and unrealized gain	649	67	-	716
	2,247	232	-	2,479
Release of board designation	(126,397)	-	-	(126,397)
Recovery of deficiency in original gift value of permanently restricted net assets over current fair value	99	(99)	-	-
Endowment net assets, end of year	$ 160,021	$ 133	$ 29,547	$ 189,701

Note 10 - Restricted Net Assets

Temporarily Restricted

Temporarily restricted net assets at December 31, 2012 consist of:

Time		
Future operating costs	$	6,483
Beneficial interest in charitable remainder trust		161,893
Restricted by donors for		
Education		5,000
Future distribution from Community First Foundation restricted to KADEP		17,563
Acquisition of fitness equipment		7,369
	$	198,308

During 2012, temporarily restricted net assets totaling $30,250 were released from restrictions due to the expiration of time restrictions.

Permanently Restricted

Permanently restricted net assets consist of endowment funds restricted by donors for investment in perpetuity, and include assets held by Community First Foundation for the benefit of the MS Center. Distributions from the Community First Foundation and earnings on endowment funds are available for the purposes specified by the donors, or in certain cases, for the unrestricted use of the MS Center. The permanently restricted net assets balances are as follows at December 31, 2012:

Beneficial interest in assets held by CFF	$	348,739
Bettinger Fund		3,317
McHugh Fund		10,000
Pundsack Fund		14,730
Other		1,500
	$	378,286

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, 2012, the Board of Directors has designated $160,021, including the unrestricted Dominick Fund ($33,720) for endowment, the income from which is to be used for general operating purposes. During 2012, the Board of Directors released $126,397 from designation for endowment.

Note 11 - Donated Services and Materials

The MS Center received donated services and materials as follows during the year ended December 31, 2012:

	Program Services	Management and General	Fundraising and Development	Capitalized Equipment	Total
Advertising	$ 17,130	$ -	$ 17,370	$ -	$ 34,500
Equipment and supplies	5,316	-	-	7,450	12,766
Repairs and maintenance	4,843	236	236	-	5,315
Special events	-	-	8,456	-	8,456
	$ 27,289	$ 236	$ 26,062	$ 7,450	$ 61,037

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 December 31, 2012, the costs of producing the newsletter included $63,911 of joint costs not directly attributable to any single function. Those costs were allocated among the following functional expense categories:

Education program	$ 63,568
Fundraising and development	343
	$ 63,911

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 2012, the MS Center contributed $21,080 to the Plan.

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 amended agreement term expires July 31, 2013. The MS Center is required to pay UC Denver $153,750 annually for services of the Medical Director. Future payments under the contract for 2013 amount to $89,688.