



Financial Statements
December 31, 2013

Rocky Mountain Multiple Sclerosis Center

(With Comparative Totals for 2012)

Rocky Mountain Multiple Sclerosis Center

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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 December 31, 2013, 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, 2013, 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 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 3, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Eide Bailly LLP

Golden, Colorado
July 17, 2014

Rocky Mountain Multiple Sclerosis Center
Statement of Financial Position
December 31, 2013
(with comparative totals for 2012)

	2013	2012
Assets		
Cash and cash equivalents	\$ 291,613	\$ 52,093
Operating investments	1,104,464	126,397
Accounts receivable, net	122,158	94,030
Promises to give, net	154,237	58,850
Prepaid expenses and other assets	14,764	9,015
Funds held in trust for others	263,147	4,055
Beneficial interest in charitable trust held by others	166,023	161,893
Property and equipment, net	1,647,216	1,699,309
Beneficial interest in assets held by Community First Foundation	391,648	348,739
Endowment		
Cash	12,500	-
Investments	208,181	189,701
Total assets	\$ 4,375,951	\$ 2,744,082
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 158,221	\$ 121,737
Funds held in trust for others	263,147	4,055
Deferred revenue	-	129,897
Note payable	105,000	105,000
Total liabilities	526,368	360,689
Net Assets		
Unrestricted		
Undesignated	1,360,664	52,469
Board-designated endowment	175,610	160,021
Invested in property and equipment, net of related debt	1,542,216	1,594,309
	3,078,490	1,806,799
Temporarily restricted	337,398	198,308
Permanently restricted	433,695	378,286
Total net assets	3,849,583	2,383,393
Total liabilities and net assets	\$ 4,375,951	\$ 2,744,082

Rocky Mountain Multiple Sclerosis Center

Statement of Activities

Year Ended December 31, 2013
(with comparative totals for 2012)

	2013			Total	2012
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and Revenue					
Support					
Contributions	\$ 2,409,868	\$ 149,012	\$ 12,500	\$ 2,571,380	\$ 848,292
Less gross amounts raised on behalf of others	(329,329)	-	-	(329,329)	(149,055)
Net contributions	2,080,539	149,012	12,500	2,242,051	699,237
Gross special events revenue	327,757	-	-	327,757	367,806
Less cost of direct benefits to donors	(91,198)	-	-	(91,198)	(73,336)
Net special events revenue	236,559	-	-	236,559	294,470
Net assets released from restrictions	36,032	(36,032)	-	-	-
Total support	2,353,130	112,980	12,500	2,478,610	993,707
Revenue					
Tissue bank revenue	136,242	-	-	136,242	183,686
KADEP and other program services	872,103	-	-	872,103	881,701
Net investment return	23,392	2,891	-	26,283	2,479
Distributions from and change in value of beneficial interests in assets held by others					
Charitable remainder trust	-	4,130	-	4,130	5,018
Assets held by Community First Foundation	-	19,089	42,909	61,998	41,011
Other income	78,171	-	-	78,171	39,646
Total support and revenue	3,463,038	139,090	55,409	3,657,537	2,147,248
Expenses					
Program services expenses					
KADEP	1,100,409	-	-	1,100,409	1,086,628
Community care and support	88,697	-	-	88,697	92,712
Education	388,088	-	-	388,088	413,498
Research	219,713	-	-	219,713	261,062
Total program services expenses	1,796,907	-	-	1,796,907	1,853,900
Supporting services expenses					
Management and general	171,940	-	-	171,940	125,666
Fundraising and development	222,500	-	-	222,500	211,949
Total supporting services expenses	394,440	-	-	394,440	337,615
Total expenses	2,191,347	-	-	2,191,347	2,191,515
Change in Net Assets	1,271,691	139,090	55,409	1,466,190	(44,267)
Net Assets, Beginning of Year	1,806,799	198,308	378,286	2,383,393	2,427,660
Net Assets, End of Year	\$ 3,078,490	\$ 337,398	\$433,695	\$ 3,849,583	\$ 2,383,393

Rocky Mountain Multiple Sclerosis Center
Statement of Functional Expenses
Year Ended December 31, 2013
(with comparative totals for 2012)

	2013								2012
	Program Services				Supporting Services				
	KADEP	Community Care and Support	Education	Research	Total Program Services	Management and General	Fundraising and Development	Total	
Salaries, taxes and benefits	\$ 699,930	\$ 54,833	\$ 145,137	\$ 22,045	\$ 921,945	\$ 68,081	\$ 125,029	\$ 1,115,055	\$ 1,034,584
Professional services									
Medical director	-	-	76,875	197,103	273,978	-	-	273,978	338,507
Other	29,122	18,531	63,231	-	110,884	57,326	45,270	213,480	122,657
Supplies	18,799	122	581	-	19,502	2,737	7,653	29,892	37,241
Telephone	14,457	800	800	550	16,607	3,793	800	21,200	18,290
Postage and delivery	2,518	330	19,411	-	22,259	1,762	4,558	28,579	13,772
Occupancy	29,834	1,843	1,843	-	33,520	2,997	1,843	38,360	33,302
Repairs and maintenance	42,794	2,160	2,150	-	47,104	2,716	2,175	51,995	66,448
Equipment rental and maintenance	34,220	2,057	2,547	-	38,824	2,152	3,208	44,184	44,173
Printing and publications	3,909	218	28,538	-	32,665	4,397	7,378	44,440	101,016
Participant activities, travel and meals	135,682	1,913	-	-	137,595	-	-	137,595	150,594
Conferences, conventions and meetings	4,139	609	34,890	-	39,638	5,858	4,052	49,548	57,085
Advertising	244	204	654	-	1,102	399	5,000	6,501	40,427
Insurance	16,009	1,001	1,001	-	18,011	1,543	881	20,435	23,346
Website - noncapital	634	599	4,219	-	5,452	673	1,700	7,825	12,422
Bad debt expense	8,500	-	-	-	8,500	-	800	9,300	6,159
Cost of direct benefits to donors	-	-	-	-	-	-	91,198	91,198	73,336
Investment management fees	-	-	-	-	-	7,365	-	7,365	4,112
Other miscellaneous expenses	4,889	55	2,789	15	7,748	11,414	8,731	27,893	17,041
Interest	3,551	221	221	-	3,993	2,891	221	7,105	10,469
Total before depreciation and amortization	1,049,231	85,496	384,887	219,713	1,739,327	176,104	310,497	2,225,928	2,204,981
Depreciation and amortization	51,178	3,201	3,201	-	57,580	3,201	3,201	63,982	63,982
Total expenses by function	1,100,409	88,697	388,088	219,713	1,796,907	179,305	313,698	2,289,910	2,268,963
Less expenses included with revenues on the statement of activities									
Cost of direct benefits to donors	-	-	-	-	-	-	(91,198)	(91,198)	(73,336)
Investment management fees	-	-	-	-	-	(7,365)	-	(7,365)	(4,112)
Total expenses included in the expense section on the statement of activities	\$ 1,100,409	\$ 88,697	\$ 388,088	\$ 219,713	\$ 1,796,907	\$ 171,940	\$ 222,500	\$ 2,191,347	\$ 2,191,515

See Notes to Financial Statements

Rocky Mountain Multiple Sclerosis Center

Statement of Cash Flows
Year Ended December 31, 2013
(with comparative totals for 2012)

	2013	2012
Cash Flows from Operating Activities		
Change in net assets	\$ 1,466,190	\$ (44,267)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation and amortization	63,982	63,982
Bad debt expense	9,300	6,159
Change in value of charitable trust	(4,130)	(5,018)
Change in value of beneficial interest in assets held by Community First Foundation	(42,909)	(23,448)
Realized and unrealized (gain) loss on operating investments	(6,275)	-
Endowment net investment (return) loss	(18,480)	(2,479)
Contributed property and equipment capitalized	(1,600)	-
Contributions restricted to endowment	(12,500)	-
Changes in operating assets and liabilities		
Accounts receivable, net	(37,428)	6,042
Promises to give, net	(95,387)	264,150
Prepaid expenses and other assets	(5,749)	6,690
Cash held by MS Center Guild	-	26,686
Accounts payable and accrued expenses	36,484	19,329
Deferred revenue	(129,897)	(428)
Net Cash from (used for) Operating Activities	1,221,601	317,398
Cash Flows from Investing Activities		
Purchases of operating investments	(1,632,916)	-
Proceeds from sales of operating investments	661,124	-
Purchases of property and equipment	(10,289)	(27,487)
Addition to endowment	(12,500)	-
Net Cash from (used for) Investing Activities	(994,581)	(27,487)
Cash Flows from Financing Activities		
Collections of contributions restricted to endowment	12,500	-
Repayments on notes payable	-	(475,000)
Net Cash from (used for) Financing Activities	12,500	(475,000)
Net Change in Cash and Cash Equivalents	239,520	(185,089)
Cash and Cash Equivalents, Beginning of Year	52,093	237,182
Cash and Cash Equivalents, End of Year	\$ 291,613	\$ 52,093
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 7,105	\$ 10,469

Note 1 - Principal Activity and Significant Accounting Policies**Organization**

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

Specialty-Care Clinics

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

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

Education

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

Research

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. The tissue is retrieved, stored and provided to MS researchers from around the world, and is essential to the global effort to find the cause of, and cure for, 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 applies the clinical research knowledge gained over the last 20 years and actively moves us toward improved therapies and a cure.

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, 2012, 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 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 December 31, 2013, the allowance was \$12,000.

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 December 31, 2013, 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 interests in the trust are reported at fair value in the statement of financial position, with 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 distributions and changes in fair value recognized in the statement of activities.

Property and Equipment

Property and equipment additions over \$1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation 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, 2013.

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.

Funds Held in Trust for Others

The MS Center raises funds to support the Translational Research and MS Pediatric Clinic programs at the University of Colorado. These programs conduct research that is typically not funded by non-philanthropic sources. Funds raised in support of the program are passed directly to the CU Foundation, in accordance with donor agreements. The CU Foundation then directs funds to the respective programs. In 2012, the MS Center Board stated an intention of raising \$450,000 to launch and support these programs, raising \$149,055 in 2012 and an additional \$329,329 in 2013, bringing the cumulative total to \$478,384, thereby fulfilling the intention.

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. 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. The MS Center records donated professional services at the respective fair values of the services received (Note 11).

Advertising Costs

Advertising costs are expensed as incurred, and approximated \$6,500 for the year ended December 31, 2013.

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 December 31, 2013.

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 2010.

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 July 17, 2014, 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 open-end mutual funds with a readily determinable fair value based on daily redemption values. Domestic 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 trust held by others 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.

Rocky Mountain Multiple Sclerosis Center

Notes to Financial Statements

December 31, 2013

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified below, at December 31, 2013:

	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)	\$ 50,261	\$ -	\$ -	\$ -
U.S. Government sponsored entity bonds	20,984	-	20,984	-
Domestic corporate bonds	166,382	-	166,382	-
Mutual funds				
International equity	313,239	313,239	-	-
Fixed income	168,759	168,759	-	-
Domestic index	384,839	384,839	-	-
	<u>\$ 1,104,464</u>	<u>\$ 866,837</u>	<u>\$ 187,366</u>	<u>\$ -</u>
Endowment investments				
U.S. Government sponsored entity bonds	\$ 4,144	\$ -	\$ 4,144	\$ -
Domestic corporate bonds	32,857	-	32,857	-
Mutual funds				
International equity	61,857	61,857	-	-
Fixed income	33,326	33,326	-	-
Domestic index	75,997	75,997	-	-
	<u>\$ 208,181</u>	<u>\$ 171,180</u>	<u>\$ 37,001</u>	<u>\$ -</u>
Beneficial interests in				
Charitable trust held by others	\$ 166,023	\$ -	\$ -	\$ 166,023
Assets held by Community First Foundation	<u>\$ 391,648</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 391,648</u>

Rocky Mountain Multiple Sclerosis Center

Notes to Financial Statements

December 31, 2013

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, 2013:

	Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)	
	Beneficial Interests	
	Charitable Trust	Assets Held by Community First Foundation
Beginning balance	\$ 161,893	\$ 348,739
Distributions	-	(19,089)
Interest and dividends	-	6,386
Investment fees	-	(3,766)
Net realized and unrealized gain	4,130	59,378
Ending balance	\$ 166,023	\$ 391,648
Unrealized gain included in net investment return in the statement of activities relating to assets still held at December 31, 2013	\$ 4,130	\$ 47,355

Note 3 - Net Investment Return

Net investment return consists of the following for the year ended December 31, 2013:

Operating investments	
Interest and dividends	\$ 3,696
Net realized and unrealized gain	6,275
Less investment management fees	(2,168)
	7,803
Endowment investments	
Interest and dividends	\$ 8,628
Net realized and unrealized gain	15,049
Less investment management fees	(5,197)
	18,480
	\$ 26,283

Note 4 - Promises to Give

Unconditional promises to give of \$154,237 at December 31, 2013 are estimated to be collected in less than one year. Approximately 96% 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, 2013:

Land and improvements	\$ 645,614
Building and improvements	1,103,510
Furniture and equipment	129,342
	1,878,466
Less accumulated depreciation	(231,250)
	\$ 1,647,216

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, 2013). 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.

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, 2013) 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. The agreement requires the MS Center to comply with certain financial and non-financial covenants.

Note 8 - Operating Leases

The MS Center leases office equipment under non-cancelable operating leases expiring over the next 2 years. Future minimum lease payments required under the agreements are as follows:

<u>Years ending December 31,</u>	
2014	\$ 14,508
2015	7,254
	\$ 21,762

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 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, 2013, 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, 2013, the MS Center had the following endowment net asset composition by type of fund:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment	\$ 175,610	\$ -	\$ -	\$ 175,610
Donor-restricted endowment	-	3,024	42,047	45,071
	<u>\$ 175,610</u>	<u>\$ 3,024</u>	<u>\$ 42,047</u>	<u>\$ 220,681</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 mutual funds to achieve its long-term return objectives within prudent risk constraints.

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

Changes in endowment net assets at December 31, 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 160,021	\$ 133	\$ 29,547	\$ 189,701
Investment return				
Investment income, net of fees	2,894	536	-	3,430
Net realized and unrealized gain	12,695	2,355	-	15,050
	<u>15,589</u>	<u>2,891</u>	<u>-</u>	<u>18,480</u>
Contributions	<u>-</u>	<u>-</u>	<u>12,500</u>	<u>12,500</u>
Endowment net assets, end of year	<u>\$ 175,610</u>	<u>\$ 3,024</u>	<u>\$ 42,047</u>	<u>\$ 220,681</u>

Note 10 - Restricted Net Assets

Temporarily Restricted

Temporarily restricted net assets at December 31, 2013 consist of:

Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	\$ 149,262
Future distribution from Community First Foundation restricted to KADEP	19,089
Time restrictions (proceeds are not restricted by donors) Beneficial interest in charitable remainder trust held by others	166,023
Unspent appreciation of Endowment funds which must be appropriated for expenditure before use	3,024
	\$ 337,398

During 2013, temporarily restricted net assets totaling \$36,032 were released from restrictions due to the expiration of time restrictions.

Permanently Restricted

Permanently restricted net assets consist of assets held by Community First Foundation (CFF) for the benefit of the MS Center and endowment funds restricted by donors for investment in perpetuity. Distributions from CFF are restricted for use by KADEP. Income from other permanently restricted net assets is available for appropriation for general operating purposes. The permanently restricted net assets balances are as follows at December 31, 2013:

Beneficial interest in assets held by CFF	\$ 391,648
Endowment funds	
Bettinger Fund	3,317
McHugh Fund	10,000
Pundsack Fund	14,730
Other	14,000
	42,047
	\$ 433,695

At December 31, 2013, the Board of Directors has designated \$175,610, including the unrestricted Dominick Fund (\$33,720) 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 December 31, 2013:

	Program Services	Fundraising and Development	Building Improvements
Advertising	\$ -	\$ 5,000	\$ -
Repairs and maintenance	-	-	1,600
Equipment and supplies	3,060	-	-
	\$ 3,060	\$ 5,000	\$ 1,600

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, 2013, the costs of producing the newsletter included \$35,572 of joint costs not directly attributable to any single function. Those costs were allocated among the following functional expense categories:

Education program	\$ 24,278
Management and general	8,804
Fundraising and development	2,490
	\$ 35,572

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 2013, the MS Center contributed \$18,846 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, 2014. The MS Center is required to pay UC Denver \$153,750 annually for services of the Medical Director. Future payments due under the contract during 2014 are \$89,688.