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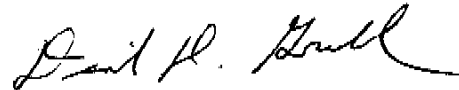
INDEPENDENT AUDITOR'S REPORT

To The Board of Directors  
Multiple Sclerosis Foundation, Inc.

I have audited the accompanying statement of financial position of the Multiple Sclerosis Foundation, Inc. (a nonprofit organization) as of December 31, 1997 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Multiple Sclerosis Foundation, Inc. and the changes in their net assets and their cash flows for the year then ended in conformity with generally accepted accounting principles.



Sunrise, Florida  
June 15, 1998

MULTIPLE SCLEROSIS FOUNDATION, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 1997

ASSETS

Current Assets:			
Cash		\$30,171	
Pledges and request receivable (Note 1)		89,838	
Prepaid expenses		20,153	
Investment in marketable securities (Note 1)		9,980	
		-----	
			\$150,142
Non-current assets			
Furniture and equipment			
less accumulated depreciation			
of \$176,855 (Note 1)		\$117,690	
Investment in real estate (Note 1)		3,000	
Security deposit		9,900	
		-----	
			130,590
			-----
			\$280,732
			=====

LIABILITIES AND NET ASSETS

Current Liabilities			
Accounts payable and accrued liabilities (Note 3)			\$69,321
Commitments and contingencies (Note 5)			-
Net assets - unrestricted (Note 1)			211,411
			-----
			\$280,732
			=====

The accompanying notes are an integral part of this statement.

MULTIPLE SCLEROSIS FOUNDATION, INC.  
STATEMENT OF ACTIVITIES  
DECEMBER 31, 1997

Revenues		
Public support - contributions (Note 1)	\$3,812,420	
Interest	2,235	
Other	12,739	
	-----	\$3,827,394
Expenses (Note 1)		
Program services	\$2,555,419	
Management and general services	139,949	
Fund raising expenses	1,069,898	
	-----	(3,765,266)
Change in Net Assets		\$62,128
Net Assets, beginning of year		149,283
Net Assets, end of year (Note 1)		<u>\$211,411</u>

The accompanying notes are an integral part of this statement.

MULTIPLE SCLEROSIS FOUNDATION, INC.  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 1997

Cash flows from operating activities:	
Increase in net assets	\$62,128
Adjustment to reconcile excess of revenues over expenses to net cash from operating activities:	
Depreciation	45,751
Changes in assets and liabilities:	
Prepaid expenses	(5,963)
Accounts payable	(137,754)
Accrued payroll	(3,211)
Accrued payroll taxes	(504)
Accrued other expenses	8,458
Accounts receivable	100,417
Net cash from operating activities	<u>\$69,322</u>
Cash flows from investing activities:	
Capital expenditures	(\$38,703)
Donated marketable securities	(9,980)
Net cash used in investing activities	<u>(48,683)</u>
Net changes in cash and cash equivalents	\$20,639
Cash and cash equivalents at beginning of year	<u>9,532</u>
Cash and cash equivalents at end of year	<u><u>\$30,171</u></u>

The accompanying notes are an integral part of this statement

MULTIPLE SCLEROSIS FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 1997

	Total	Program Services	Management and General	Fund Raising
	-----	-----	-----	-----
<b>Expenses:</b>				
Advertising	\$3,649	\$3,102	\$182	\$365
Bank charges	29,899	25,713	1,196	2,990
Travel	17,999	16,656	0	1,343
Utilities	287,335	232,821	14,920	39,594
Professional fees	25,590	22,007	1,024	2,559
Professional services	1,662,968	831,484	0	831,484
General expense	64,309	56,255	2,640	5,414
Postage and shipping	57,179	42,884	2,859	11,436
Printing	87,278	78,550	0	8,728
Rent	117,852	101,353	4,714	11,785
Program service	56,053	56,053	0	0
Insurance	61,536	50,136	3,758	7,642
Payroll-officer				
director	119,975	119,975	0	0
Payroll - other	804,263	619,416	55,454	129,393
Payroll - taxes	56,507	45,206	3,390	7,911
Equipment-rental and				
maintenance	93,823	81,153	3,761	8,909
donations	150,199	150,199		
Miscellaneous	23,101	22,456	300	345
	-----	-----	-----	-----
Total expenses before				
depreciation	\$3,719,515	\$2,555,419	\$94,198	\$1,069,898
Depreciation	45,751		45,751	
	-----	-----	-----	-----
Total expenses	\$3,765,266	\$2,555,419	\$139,949	\$1,069,898
	=====	=====	=====	=====

The accompanying notes are an integral part of this statement.

MULTIPLE SCLEROSIS FOUNDATION, INC.  
NOTES TO BALANCE SHEET  
DECEMBER 31, 1997

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization  
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The Multiple Sclerosis Foundation, Inc. was incorporated under the Florida non-profit law in 1986. The Foundation was organized in order to educate the public about traditional and non-traditional options for treatment to ensure the best quality of life for people with multiple sclerosis through support services and to aid in research in discovering the cause, treatment and cure of multiple sclerosis.

Basis of Presentation

The significant accounting policies followed by the Foundation conform to the requirements of the industry audit guide entitled "Audits of Voluntary Health and Welfare Organizations" published by the American Institute of Certified Public Accountants. The Foundation's financial statements are prepared on the accrual basis of accounting.

Investment in real estate, which was donated to the Foundation in 1989, is carried at its market value at date of receipt. Investment in publically held equities, donated in December of 1997 is carried at fair market value which equals its donated value at year end.

Fund Accounting

The board has discretionary control over all funds and therefore all funds have been classified as unrestricted.

Joint Cost Allocation

In 1997, the Foundation incurred joint costs of \$1,662,968 from a combined educational campaign and fundraising solicitation. Of those costs, utilizing the physical units method, \$831,484 was allocated to program services and \$831,484 was allocated to fundraising expense.

Furniture and Equipment

Furniture and equipment and leasehold improvements are stated at cost except for donated equipment, which is stated at fair market value at date of receipt. The provision for depreciation is computed on the straight line method over the estimated useful lives of the assets. As of December 31, 1997 furniture and equipment and leasehold improvements consisted of the following:

MULTIPLE SCLEROSIS FOUNDATION, INC.  
NOTES TO BALANCE SHEET  
DECEMBER 31, 1997

Leasehold improvements	\$ 30,707
Furniture and fixtures	113,062
Computers	150,776
	-----
	294,545
Less accumulated depreciation	(176,855)
	-----
	\$117,690
	=====

Cash Equivalents

Holding of money market funds are considered to be cash equivalents by the Foundaiton.

Revenue Recognition

The Foundation recognizes income from legacies and bequests when an unassailable right to the gift has been established and the proceeds are measurable in amount. Contributions, unless specifically restricted by the donor, are considered to be available for unrestricted use. Unrestricted contributions are recognized as income when

NOTE 2 INCOME TAX STATUS

The Foundation qualifies as a charitable organization as defined by the Internal Revenue Code Section 501(c) (3) and accordingly, is exempt from Federal income taxes under Internal Revenue Code Section 501(a). The Foundation files its tax return on the accrual basis of accounting. Additionally, since the Foundation is publicly supported, contributions qualify for the maxium charitable contribution deduction under the Internal Revenue Code.

NOTE 3 ACCOUNTS PAYABLE

Accounts payable as of December 31, 1997 consists of the following:

Trade payables	\$ 37,526
Accrued payroll	8,993
Payroll taxes	556
Accrued professional services	10,246
Other expenses	12,000
	-----
	\$ 69,321
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MULTIPLE SCLEROSIS FOUNDATION, INC.  
 NOTES TO BALANCE SHEET  
 DECEMBER 31, 1997

NOTE 4 PROFIT SHARING PLAN

The board of directors adopted a profit sharing plan effective for 1995. The plan is classified as a profit sharing plan for purposes of section 401(a) and section 404(a) (3) of the Internal Revenue Code. The plan allows the board the option of contributing to the plan each year, an amount between zero and 15% of the payroll of eligible participants. The board elected not to contribute to the plan in the current year.

NOTE 5 COMMITMENT AND CONTINGENCIES

LEASES:

The foundation leases office space in Fort Lauderdale, Florida and Denver, Colorado under operating leases that expire January 31, 2001 and July 31, 1998, respectively. Future minimum rental payments under leases with remaining noncancellable terms in excess of one year are:

Year ending December 31	Florida	Colorado
1998	\$ 75,921	\$ 7,425
1999	75,921	-
2000	75,921	-
2001	6,327	-
Total minimum payments	\$234,090	\$ 7,425

AFFILIATION AGREEMENT:

On August 30, 1994 the foundation entered into an agreement with a non-affiliated Multiple Sclerosis state society. The foundation supplied administrative and fund raising expertise along with the opportunity to coordinate joint appeals with the state society. The foundation was obligated to fund any deficit in the operating budget of the society. In 1997 the operating deficit was approximately \$55,800 which included salaries of \$12,500 paid to two employees of the foundation for consulting services. The agreement expires on February 28, 2000, however, it may be cancelled by either party by giving 180 day notice.

NOTE 6 GRANTS

Included in grants is approximately \$92,000 (Note 5) paid to an affiliated multiple sclerosis state society.