

TISCH MULTIPLE SCLEROSIS  
RESEARCH CENTER OF NEW YORK, INC.

FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR'S REPORT

DECEMBER 31, 2014 AND 2013

TISCH MULTIPLE SCLEROSIS RESEARCH CENTER OF NEW YORK, INC.

DECEMBER 31, 2014 AND 2013

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JOSEPH L. GIL, C.P.A., M.S.

Independent Auditor's Report

To The Board of Directors  
Tisch Multiple Sclerosis Research Center of New York, Inc.

We have audited the accompanying financial statements of the Tisch Multiple Sclerosis Research Center of New York, Inc. ("TMSRCNY"), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 Tisch Multiple Sclerosis Research Center of New York, Inc. as of December 31, 2014 and 2013 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

 J. L. Gil, CPA, P.C.

Port Washington, New York

February 28, 2015

TISCH MULTIPLE SCLEROSIS RESEARCH CENTER OF NEW YORK, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2014 AND 2013

	2014	2013
<b>Assets</b>		
Cash and cash equivalents	\$ 143,021	\$ 312,882
Pledges receivable	165,617	88,674
Prepaid expenses and other assets	163,478	102,038
Marketable securities, at fair value	1,376	-
Property and equipment, net	3,174,290	3,744,077
Total assets	\$ 3,647,782	\$ 4,247,671
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 210,113	\$ 224,960
Due to related party	1,906,488	3,153,651
Obligations under capital lease	16,171	53,795
Deferred rent	1,729,343	1,699,979
Total liabilities	3,862,115	5,132,385
Commitments and contingencies		
<b>Net Assets</b>		
Unrestricted		
Invested in property and equipment	3,158,119	3,690,282
Liability for deferred rent	(1,729,343)	(1,699,979)
Operations (deficit)	(1,643,109)	(2,875,017)
Total net assets	(214,333)	(884,714)
Total liabilities and net assets	\$ 3,647,782	\$ 4,247,671

The accompanying notes are an integral part of these financial statements.

TISCH MULTIPLE SCLEROSIS RESEARCH CENTER OF NEW YORK, INC.  
 STATEMENTS OF ACTIVITIES  
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
 (WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2013)

	Unrestricted	Total 2014	Total 2013
Support and Revenue			
Grants and contributions	\$ 5,378,491	\$ 5,378,491	\$ 4,544,174
Special events revenue, net of direct special events expenses of \$172,470 and \$165,669 in 2014 and 2013, respectively	2,286,267	2,286,267	2,337,454
Contributions in kind	398,099	398,099	375,000
Bequests	10,000	10,000	-
Clinical trials	33,521	33,521	66,302
Investment income (loss)	(943)	(943)	6,923
	8,105,435	8,105,435	7,329,853
Total support and revenue			
Expenses			
Program services			
Research	6,048,056	6,048,056	6,243,132
Public information and education	128,146	128,146	170,974
Total program services	6,176,202	6,176,202	6,414,106
Supporting Services			
Management and general	632,424	632,424	278,369
Fundraising	630,079	630,079	394,852
Total supporting services	1,262,503	1,262,503	673,221
Total expenses	7,438,705	7,438,705	7,087,327
Change in net assets	666,730	666,730	242,526
Net assets - beginning of year	(884,714)	(884,714)	(1,127,240)
Adjustments to net assets	3,651	3,651	-
Net assets - end of year	\$ (214,333)	\$ (214,333)	\$ (884,714)

The accompanying notes are an integral part of these financial statements.  
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TISCH MULTIPLE SCLEROSIS RESEARCH CENTER OF NEW YORK, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2013)

	Program Services			Supporting Services			Total 2013
	Research	Public Information and Education	Total Program Services	Management and General	Fund Raising	Total Supporting Services	
Salaries	\$ 1,349,964	\$ -	\$ 1,349,964	\$ 123,588	\$ 231,729	\$ 355,317	\$ 1,803,355
Payroll taxes and related costs	148,947	-	148,947	12,949	24,280	37,229	182,038
Employee benefits	235,038	-	235,038	21,517	40,346	61,863	303,975
Total salaries and related costs	1,733,949	-	1,733,949	158,054	296,355	454,409	2,289,368
Occupancy	1,708,628	-	1,708,628	213,579	213,579	427,158	2,050,559
Research and related expenses	1,451,344	-	1,451,344	-	-	-	1,656,471
Insurance	37,439	-	37,439	37,439	-	37,439	74,878
Professional services	385,249	-	385,249	117,878	-	117,878	503,127
Equipment and related maintenance	99,686	-	99,686	5,247	-	5,247	104,933
Patient symposium	-	105,010	105,010	-	-	-	170,974
Office expenses and other	33,843	23,136	56,979	67,736	88,274	156,010	191,662
Conferences and travel	24,244	-	24,244	-	-	-	10,415
Depreciation and amortization	573,674	-	573,674	31,871	31,871	63,742	667,671
Bad debt expense	-	-	-	620	-	620	27,313
Special event expenses	-	-	-	-	172,470	172,470	165,699
Subtotal	6,048,056	128,146	6,176,202	632,424	802,549	1,434,973	7,253,026
Less: special events direct expenses	-	-	-	-	(172,470)	(172,470)	(165,699)
Total expenses	\$ 6,048,056	\$ 128,146	\$ 6,176,202	\$ 632,424	\$ 630,079	\$ 1,262,503	\$ 7,087,327

The accompanying notes are an integral part of these financial statements.  
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TISCH MULTIPLE SCLEROSIS RESEARCH CENTER OF NEW YORK, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2013

	Program Services			Supporting Services			Total 2013
	Research	Public Information and Education	Total Program Services	Management and General	Fund Raising	Supporting Services	
Salaries	\$ 1,353,787	-	\$ 1,353,787	\$ 232,666	\$ 216,902	\$ 449,568	\$ 1,803,355
Payroll taxes and related costs	126,223	-	126,223	35,992	19,823	55,815	182,038
Employee benefits	228,196	-	228,196	39,218	36,561	75,779	303,975
Total salaries and related costs	1,708,206	-	1,708,206	307,876	273,286	581,162	2,289,368
Occupancy	2,002,748	-	2,002,748	19,167	28,645	47,812	2,050,559
Research and related expenses	1,656,471	-	1,656,471	-	-	-	1,656,471
Insurance	28,855	-	28,855	28,855	-	28,855	57,711
Professional services	(24,283)	-	(24,283)	(215,387)	(686)	(216,073)	(240,356)
Equipment and related maintenance	198,064	-	198,064	1,869	5,606	7,475	205,539
Patient symposium	-	170,974	170,974	-	-	-	170,974
Office expenses and other	19,264	-	19,264	102,606	69,792	172,398	191,662
Conferences and travel	10,415	-	10,415	-	-	-	10,415
Depreciation and amortization	643,392	-	643,392	6,070	18,209	24,279	667,671
Bad debt expense	-	-	-	27,313	-	27,313	27,313
Special event expenses	-	-	-	-	165,699	165,699	165,699
Subtotal	6,243,132	170,974	6,414,106	278,369	560,551	838,920	7,253,026
Less: special events direct expenses	-	-	-	-	(165,699)	(165,699)	(165,699)
Total expenses	\$ 6,243,132	\$ 170,974	\$ 6,414,106	\$ 278,369	\$ 394,852	\$ 673,221	\$ 7,087,327

The accompanying notes are an integral part of these financial statements.  
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TISCH MULTIPLE SCLEROSIS RESEARCH CENTER OF NEW YORK, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2013)

	2014	2013
Cash flows from operating activities		
Change in net assets	\$ 666,730	\$ 242,526
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Adjustment to net assets	3,651	-
Depreciation and amortization expense	637,416	667,671
Bad debt expense	620	27,313
Net realized and unrealized loss (gain) on sale of contributed marketable securities	943	(6,923)
Contributed marketable securities	(68,767)	(115,960)
Deferred rent	29,364	77,657
Sub-total	1,269,957	892,284
Changes in operating assets and liabilities		
(Increase) Decrease in:		
Pledges receivable	(77,563)	18,527
Prepaid expenses and other assets	(61,440)	(31,711)
Security deposit	-	297,025
Increase (Decrease) in:		
Accounts payable and accrued expenses	(14,847)	(812,977)
Net cash provided by operating activities	1,116,107	363,148
Cash flows from investing activities		
Proceeds from sale of contributed marketable securities	66,448	122,884
Purchase of property and equipment	(67,629)	(11,238)
Net cash (used for) provided by investing activities	(1,181)	111,646
Cash flow from financing activities		
Repayment of obligations under capital lease	(37,624)	(36,004)
Repayment of loans to related party	(1,247,163)	(341,611)
Net cash used for financing activities	(1,284,787)	(377,615)
Net (decrease) increase in cash and cash equivalents	(169,861)	97,179
Cash and cash equivalents - beginning of year	312,882	215,703
Cash and cash equivalents - end of year	\$ 143,021	\$ 312,882

The accompanying notes are an integral part of these financial statements.  
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TISCH MULTIPLE SCLEROSIS RESEARCH CENTER OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

The Tisch Multiple Sclerosis Research Center of New York, Inc. ("TMSRCNY") was incorporated under the laws of the State of New York. TMSRCNY is a qualified charitable organization as defined by Internal Revenue Code Section 501(c)(3) and, accordingly, is exempt from federal income taxes and from state and local taxes under comparable laws.

TMSRCNY, incorporated in August 2005, is a not-for-profit medical research center whose aims are directed toward finding the cause and eventual cure of multiple sclerosis. TMSRCNY's medical research activities are designed to understand all aspects of multiple sclerosis, including research at the cellular and molecular levels.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation**

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of TMSRCNY are reported according to three classes of net assets, when applicable: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2014 and 2013 all net assets of TMSRCNY were unrestricted.

**Cash and Cash Equivalents**

TMSRCNY considers cash equivalents to be all highly liquid investments with maturities of 90 days or less when acquired.

TMSRCNY maintains cash in several bank accounts which, at times, may exceed federally insured limits. TMSRCNY has not experienced any losses with respect to such accounts.

**Revenue Recognition**

Contributions (including unconditional promises to give) are recorded at fair value when received. Contributions received with donor stipulations that limit the use of the donated assets are reported either as temporarily restricted or permanently restricted support.

TISCH MULTIPLE SCLEROSIS RESEARCH CENTER OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

Unconditional promises to give (pledges) are recorded as income when TMSRCNY is formally notified of the grants or contributions by the respective donors. Conditional promises to give are not included as support until the conditions are substantially met.

TMSRCNY recognizes bequests and legacies as support when the wills have passed probate and the sum is certain.

**Allowance for Doubtful Accounts**

As of December 31, 2014 and 2013, TMSRCNY determined that no allowance for doubtful accounts should be provided for receivables. Such estimate is based on management's evaluation of the creditworthiness of its donors, a review of individual donor accounts outstanding, the aging of its receivables, as well as current economic conditions and historical collection experience.

**Investments**

Investments consist of contributed marketable securities and are reported at their fair values in the statements of financial position, which is the prevailing market value.

Unrealized gains and losses are included in the statements of activities. It is the organization's policy to sell all such investments immediately after receipt. However, due to timing differences, realized and unrealized gains or losses may occur.

**Property and Equipment**

Property and equipment is stated at cost if purchased or contributed value if donated, less accumulated depreciation and amortization. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which range from 3 to 10 years. Leasehold improvements are amortized over the lesser of their useful lives or the term of the lease. TMSRCNY capitalizes property and equipment with a cost of \$2,000 or more and a useful life greater than one year.

**Rent Expense**

Rent expense is recognized on a straight-line basis over the length of the lease. The difference between rental payments made under the lease and rent expense calculated on a straight-line basis is recorded as a deferred rent obligation in the accompanying statements of financial position.

TISCH MULTIPLE SCLEROSIS RESEARCH CENTER OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

**In-Kind Donated Goods and Services**

TMSRCNY received contributed goods and services consisting primarily of professional research-related services. The contributed goods and services have been valued at the estimated market rates that would have been incurred by TMSRCNY to obtain them and are reported as both revenue and expense in the accompanying financial statements.

**Intellectual Property**

The primary purpose of TMSRCNY in conducting research is to support its mission to find the cause, treatment and cure for MS. TMSRCNY recognizes that its research may result in discoveries that have commercial value. Therefore it has adopted a policy that applies to all intellectual property (the "Policy") created through resources of or supported by TMSRCNY.

The policy provides that all rights in intellectual property produced by TMSRCNY resources are its property. To assure reasonable development of such intellectual property, TMSRCNY files for legal protection when appropriate. The policy also provides that if individual researchers at TMSRCNY were the creators of discoveries that result in income to TMSRCNY, these individuals will receive a share of such income based on a fixed schedule comparable to those in effect at other major research institutions.

**Functional Allocation of Expenses**

The costs of providing program and supporting services of TMSRCNY have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the program and supporting services benefited.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingencies. Actual results may differ from those estimates.

**Reclassifications**

Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 presentation. Such reclassifications had no change to total assets, liabilities, revenues or expenses or change in net assets as reflected on the 2013 financial statements.

TISCH MULTIPLE SCLEROSIS RESEARCH CENTER OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable are unconditional promises to give consisting of the following as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Amount due in less than one year	<u>\$ 165,617</u>	<u>\$ 88,674</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>	Estimated Useful Life
Leasehold improvements	\$ 4,943,191	\$ 4,940,941	Lesser of useful life or the term of the lease
Research equipment	2,224,164	2,175,863	5 - 10 years
Office furniture and equipment	842,938	825,861	3 - 10 years
Construction in progress	313,356	313,356	
Total cost	<u>8,323,649</u>	<u>8,256,021</u>	
Less: accumulated depreciation and amortization	<u>(5,149,359)</u>	<u>(4,511,944)</u>	
Net book value	<u>\$ 3,174,290</u>	<u>\$ 3,744,077</u>	

Depreciation and amortization expense amounted to \$637,416 and \$667,671 for the years ended December 31, 2014 and 2013 respectively.

NOTE 5 - RELATED PARTY TRANSACTIONS

Pursuant to an agreement between TMSRCNY and the International Multiple Sclerosis Management Practice ("IMSMP"), a separate and distinct for-profit company, TMSRCNY shares space in the same facility with IMSMP and, consequently, shares certain costs (including leasehold improvements) associated with the facility, which have been allocated based on the square-foot usage for each entity.

TISCH MULTIPLE SCLEROSIS RESEARCH CENTER OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

In addition, IMSMP may from time to time provide advances to TMSRCNY. TMSRCNY also engages IMSMP to perform certain clinical services in connection with its research. As of December 31, 2014 and 2013, TMSRCNY owed \$1,906,488 and \$3,153,651, respectively, to IMSMP for its share of these costs, including rent, advances and clinical services.

The Director/Chief Research Scientist of TMSRCNY (the "Director") is a member of the Board of Directors of TMSRCNY. He also is the sole stockholder of IMSMP, which treats patients with multiple sclerosis. TMSRCNY's Board of Directors oversees and controls the policies, management and activities of TMSRCNY. The criteria of control and economic interest that might require consolidation of the two entities' financial statements under U.S. GAAP are not met. Procedures are in place to ensure the proper allocation of expenses between each organization. The Director donates time to TMSRCNY without compensation from TMSRCNY, as noted below.

Contributed goods and services consist of the following for the years ended December 31, 2014 and 2013:

	2014	2013
Research related services provided by the Director	\$ 375,000	\$ 375,000
Legal services	22,543	-
Gifts in-kind	556	-
	<u>\$ 398,099</u>	<u>\$ 375,000</u>

NOTE 6 - OBLIGATIONS UNDER CAPITAL LEASE

TMSRCNY entered into a lease agreement for computer equipment under a capital lease expiring in 2015. As of December 31, 2014, the liability, representing the present value of future minimum lease payments with an interest rate imputed at 4.41% was \$16,171.

The leased assets (with a net book value of \$15,261 as of December 31, 2014) are depreciated over their estimated productive lives. Depreciation of the assets under the capital lease is included in depreciation expense. The cost of the machines was \$109,883 and they have accumulated depreciation of \$94,622 as of December 31, 2014.

TISCH MULTIPLE SCLEROSIS RESEARCH CENTER OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

Future minimum payments required under the lease, together with its present value as of December 31, 2014 follows:

2015	\$ 16,350
Total minimum lease payments	<u>16,350</u>
Less: amount representing interest (imputed at 4.41%)	<u>(179)</u>
Present value of minimum lease payments	<u>\$ 16,171</u>

NOTE 7 - COMMITMENTS AND CONTINGENCIES

**Lease Commitments**

TMSRCNY and IMSMP share leased space that commenced on January 1, 2006 and was amended with an effective date of September 30, 2009, to expire on June 30, 2020, whereby IMSMP subleases a portion of the 4<sup>th</sup> floor to TMSRCNY (see Note 5). The lease was amended to include the 3<sup>rd</sup> floor commencing on July 1, 2010. The rent expense allocated to TMSRCNY is apportioned strictly based on its square foot usage. TMSRCNY is committed by the terms of the sublease to pay a proportionate share of escalation charges

Future minimum rental payments through June 30, 2020, exclusive of escalation charges, are as follows for the years ended December 31<sup>st</sup>:

2015	\$ 1,980,000
2016	2,128,000
2017	2,181,000
2018	2,235,000
2019	2,291,000
Thereafter	<u>1,160,000</u>
	<u>\$ 11,975,000</u>

Rent expense computed on the straight-line basis, totaled \$1,862,633 and \$1,862,633, respectively, for the years ended December 31, 2014 and 2013 and is included in occupancy expense in the accompanying financial statements. TMSRCNY recorded a deferred rent liability at December 31, 2014 and 2013 of \$1,729,343 and \$1,699,979, respectively.

TISCH MULTIPLE SCLEROSIS RESEARCH CENTER OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

**Income Taxes**

TMSRCNY has no uncertain tax positions as of December 31, 2014 and 2013 in accordance with Accounting Standards Codification ("ASC") Topic 740 ("Income Taxes"), which provides standards for establishing and classifying any tax provisions for uncertain tax positions. TMSRCNY is no longer subject to federal or state and local income tax examinations by tax authorities for the years ended before December 31, 2010.

NOTE 8 - EMPLOYEE RETIREMENT PLAN

TMSRCNY maintains an employee benefit plan under section 401(k) of the Internal Revenue Code (the "Plan") into which eligible employees may contribute a portion of their annual salaries. Under the terms of the plan, TMSRCNY may provide a discretionary matching contribution of the employees' contributions up to 8% of their annual salary. For the years ended December 31, 2014 and 2013, TMSRCNY elected not to provide a discretionary match.

NOTE 9 - CONCENTRATIONS

For the years ended December 31, 2014 and 2013, TMSRCNY received contributions from two individual donors, one of which was the same in both years, totaling approximately \$1,000,000 and \$1,045,000, respectively. Such amounts constitute approximately 12% and 14% of the total support and revenue for the years ended December 31, 2014 and 2013, respectively. These donors were not board members in either year, however were related to board members in both years.

For the years ended December 31, 2014 and 2013, TMSRCNY received contributions from not-for-profit foundations totaling \$3,005,000 and \$2,500,000, respectively. Such amounts constitute approximately 37% and 34% of the total support and revenue for the years ended December 31, 2014 and 2013, respectively. In both years these donors were related to board members.

NOTE 10 - SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the statement of financial position through February 28, 2015, the date the financial statements were available to be issued. As of June 1, 2015 the current animal facility used by TMSRCNY will be closed.



TISCH MULTIPLE SCLEROSIS RESEARCH CENTER OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

TMSRCNY is in the process of exploring several temporary alternative facilities; however no definitive decision has been made. Expansion for TMSRCNY's existing research laboratory includes plans to build an animal facility. The project has been suspended until further notice pending securing funding.