

BOSTON CURE PROJECT, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002



BOSTON CURE PROJECT, INC.

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FEELEY & DRISCOLL, P.C.
Certified Public Accountants/Business Consultants

The Board of Directors
Boston Cure Project, Inc.
Waltham, MA

Independent Auditors' Report

We have audited the accompanying statements of financial position of Boston Cure Project, Inc. as of December 31, 2003 and 2002, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Boston Cure Project, Inc. management. 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 audits 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boston Cure Project, Inc. as of December 31, 2003 and 2002, and the results of their activities, changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

April 16, 2004

Feeley & Driscoll, P.C.

BOSTON CURE PROJECT, INC.

Statements of Financial Position

December 31, 2003 and 2002

Assets

	<u>2003</u>	<u>2002</u>
Current assets:		
Cash and cash equivalents	\$ 185,535	\$ 27,319
Contributions receivable	12,370	3,281
Prepaid expenses and other current assets	8,344	8,662
Total current assets	<u>206,249</u>	<u>39,262</u>
Computer equipment	3,811	3,811
Less accumulated depreciation	<u>3,017</u>	<u>1,747</u>
	794	2,064
Total assets	<u>\$ 207,043</u>	<u>\$ 41,326</u>

Liabilities and Net Assets

Liabilities:		
Accounts payable	\$ 5,263	\$ 2,008
Accrued expenses	9,285	23,735
	<u>14,548</u>	<u>25,743</u>
Net assets:		
Unrestricted	178,597	15,583
Temporarily restricted	<u>13,898</u>	<u>-</u>
Total net assets	<u>192,495</u>	<u>15,583</u>
Total liabilities and net assets	<u>\$ 207,043</u>	<u>\$ 41,326</u>

See accompanying notes.

BOSTON CURE PROJECT, INC.

Statements of Activities

For the years ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Unrestricted revenues:		
Contribution revenue	\$ 659,853	\$ 293,691
Net assets released from restrictions	22,438	1,025
	<hr/>	<hr/>
Total revenues	682,291	294,716
	<hr/>	<hr/>
Expenses:		
Fundraising	133,284	54,662
Community building	103,686	47,670
Program	98,460	113,438
Education	19,734	25,583
Families	11,112	-
General and administrative	152,853	97,852
	<hr/>	<hr/>
Total expenses	519,129	339,205
	<hr/>	<hr/>
Excess of revenue over (under) expenses	163,162	(44,489)
Realized loss on investments	(148)	(30)
	<hr/>	<hr/>
Change in unrestricted net assets	\$ 163,014	\$ (44,519)
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See accompanying notes.

BOSTON CURE PROJECT, INC.

Statements of Changes in Net Assets

For the years ended December 31, 2003 and 2002

	Unrestricted	Temporarily Restricted	Total
Net assets at December 31, 2001	\$ 60,102	\$ -	\$ 60,102
Change in unrestricted net assets	(44,519)		(44,519)
Restricted contributions	-	1,025	1,025
Net assets released from restrictions		(1,025)	(1,025)
Change in net assets	(44,519)	-	(44,519)
Net assets at December 31, 2002	15,583	-	15,583
Change in unrestricted net assets	163,014		163,014
Restricted contributions	-	36,336	36,336
Net assets released from restrictions	-	(22,438)	(22,438)
Change in net assets	163,014	13,898	176,912
Net assets at December 31, 2003	\$ 178,597	\$ 13,898	\$ 192,495

See accompanying notes.

BOSTON CURE PROJECT, INC.

Statements of Functional Expenses

For the years ended December 31, 2003 and 2002

	Fundraising	Community				Families	General and Administrative	2003 Total
		Fundraising	Building	Program	Education			
Payroll and other related expenses	\$ 64,270	\$ 16,111	\$ 63,238	\$ 14,695	\$ 29	\$ 80,197	\$ 238,540	
Professional fees	7,279	36,750	-	-	-	29,980	74,009	
Travel, meals and entertainment	15,725	14,815	5,864	-	-	926	37,330	
Benefits	8,259	1,978	8,325	1,907	4	9,843	30,316	
Public relations	1,140	12,079	658	-	11,049	163	25,089	
Prizes	22,295	-	-	-	-	-	22,295	
Printing	3,596	8,993	-	-	-	7,627	20,216	
Consultants	2,450	-	15,500	-	-	-	17,950	
Facilities	3,132	-	4,395	3,132	-	4,997	15,656	
Network upgrade	-	10,000	-	-	-	-	10,000	
Office	32	51	-	-	-	4,912	4,995	
Taxes	-	-	-	-	-	2,835	2,835	
Depreciation	-	-	-	-	-	1,270	1,270	
Miscellaneous	5,106	2,909	480	-	30	10,103	18,628	
	<u>\$ 133,284</u>	<u>\$ 103,686</u>	<u>\$ 98,460</u>	<u>\$ 19,734</u>	<u>\$ 11,112</u>	<u>\$ 152,853</u>	<u>\$ 519,129</u>	

See accompanying notes.

BOSTON CURE PROJECT, INC.

Statements of Functional Expenses - Continued

For the years ended December 31, 2003 and 2002

	Fundraising	Community				Education	Families	General and Administrative	2002 Total
		Building	Program	Program	Program				
Payroll and other related expenses	\$ 16,581	\$ 10,379	\$ 50,334	\$ 18,974	\$ -	\$ -	\$ 49,013	\$ 145,281	
Professional fees	4,563	20,055	-	2,000	-	-	18,332	44,950	
Travel, meals and entertainment	386	11,655	4,173	-	-	-	817	17,031	
Benefits	1,886	1,204	5,853	2,246	-	-	5,641	16,830	
Public relations	1,210	-	-	-	-	-	255	1,465	
Prizes	-	-	-	-	-	-	-	-	
Printing	-	3,410	-	-	-	-	7,903	11,313	
Consultants	26,550	-	49,488	-	-	-	-	76,038	
Facilities	2,183	-	2,183	2,183	-	-	2,778	9,327	
Network upgrade	-	-	-	-	-	-	-	-	
Office	23	154	28	167	-	-	2,331	2,703	
Taxes	-	-	-	-	-	-	120	120	
Depreciation	-	-	-	-	-	-	1,270	1,270	
Miscellaneous	1,280	813	1,379	13	-	-	9,392	12,877	
	<u>\$ 54,662</u>	<u>\$ 47,670</u>	<u>\$ 113,438</u>	<u>\$ 25,583</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,852</u>	<u>\$ 339,205</u>	

See accompanying notes.

BOSTON CURE PROJECT, INC.

Statements of Cash Flows

For the years ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Change in net assets	\$ 176,912	\$ (44,519)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,270	1,270
Restricted contributions income received	(36,336)	(1,025)
Increase in contributions receivable	(9,089)	(1,431)
Decrease (increase) in prepaid expenses and other current assets	318	(8,345)
Increase in accounts payable	3,255	1,913
(Decrease) increase in accrued expenses	(14,450)	18,735
Net cash provided by (used in) operating activities	<u>121,880</u>	<u>(33,402)</u>
Cash flows from financing activities -		
Proceeds from restricted contributions income	<u>36,336</u>	<u>1,025</u>
Net increase (decrease) in cash and cash equivalents	158,216	(32,377)
Cash and cash equivalents, beginning of year	<u>27,319</u>	<u>59,696</u>
Cash and cash equivalents, end of year	<u>\$ 185,535</u>	<u>\$ 27,319</u>

See accompanying notes.

BOSTON CURE PROJECT, INC.

Notes to Financial Statements

December 31, 2003 and 2002

Note 1 - Organization

Boston Cure Project, Inc. (the "Organization") is located in Waltham, Massachusetts. The Organization, founded in March 2001, is a nonprofit organization dedicated to creating and executing a plan to cure multiple sclerosis (MS).

Note 2 - Significant Accounting Policies

A summary of the significant accounting policies followed by the Organization in the preparation of the accompanying financial statements is set forth below:

Basis of Presentation - Net assets are classified into permanently restricted, temporarily restricted and unrestricted when appropriate to properly disclose the nature and amount of significant resources that have been restricted in accordance with specified objectives of donors and grantors. The Organization has both unrestricted net assets and restricted net assets. The unrestricted net assets are available to be used and designated by the Board of Directors for the general purposes of the Organization. The net assets of the restricted class are created only by donor-imposed restrictions on their use.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Organization considers all highly liquid instruments with an initial maturity of three (3) months or less to be cash equivalents.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a 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. Donor restricted contributions whose restrictions are met in the same operating period are presented as unrestricted contributions.

The Company provides an allowance for doubtful accounts equal to estimated pledge defaults. The estimated defaults are based on historical collection experience together with a review of the current status of the existing receivables. No allowance is considered necessary at December 31, 2003 and 2002, respectively.

Property and Equipment - Property and equipment are stated at cost. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. Major additions are capitalized, while repairs and maintenance are charged to expense as incurred. Computer equipment is being depreciated over a three (3) year useful life.

Income Tax Exempt Status - The Organization is a nonprofit corporation as described in Section 501(c)(3) of the United States Internal Revenue Code and is determined to be an Organization which is not a private foundation and, accordingly, does not provide for state and federal income taxes.

BOSTON CURE PROJECT, INC.

Notes to Financial Statements - Continued

December 31, 2003 and 2002

Note 2 - Significant Accounting Policies - Continued

Use of Estimates and Assumptions - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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 vary from the estimates that were used.

Contributed Goods and Services - Contributed professional services are recognized if the services received a) create or enhance long-lived assets, or b) require specialized skills which, are provided by individuals possessing those skills (and would typically need to be purchased, if not provided by donation.) Contributions of tangible assets are recognized at fair market value when received. Both contributed goods and approximate expenses for the years ended December 31, 2003 and 2002 were recorded as \$4,104 and \$-0-, respectively.

The Organization receives a significant amount of skilled, contributed time, which does not meet the two (2) recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements. For the years ended December 31, 2003 and 2002, the Organization received approximately 4,050 and 1,730 hours of donated time, respectively.

In addition, the Organization also receives printing, internet development and other professional services without charge. The estimated fair market value of the services has been reported as both contribution revenue and printing expenses, professional fees and other miscellaneous expenses. Both contribution revenue and approximate expenses for the years ended December 31, 2003 and 2002 were recorded as \$67,333 and \$37,905, respectively.

Reclassification of Prior Year's Balances - Certain account balances as of December 31, 2002 have been reclassified to enhance financial statement presentation and ensure comparability with the current year.

Note 3 - Concentration of Credit Risk

The Company at times has a potential concentration of credit risk in that it maintains deposits with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC).

Note 4 - Related Party Transactions

The Organization was obligated to a related party through a tenant-at-will agreement, at rates ranging from \$400 to \$1,100 per month for rent expense. Rent included several office cubicles and other related office amenities. Rent expense for the years ended December 31, 2003 and 2002 were \$11,100 and \$6,400, respectively.

BOSTON CURE PROJECT, INC.

Notes to Financial Statements - Continued

December 31, 2003 and 2002

Note 4 - Related Party Transactions - Continued

During 2002, the Organization hired two (2) consultants to perform scientific analysis. One is a current member of the board of directors and the second was a member of the board of directors until May 16, 2002, at which time she became a full time employee. For the year ended December 31, 2002, the Organization paid \$43,088 in consulting expenses to these consultants.

Note 5 - Operating Leases

During the year, the Company entered into a lease for a facility under an operating lease. Beginning in June 2004 under the agreement, the Company is required to pay monthly installments ranging from \$1,948 to \$2,207 expiring in May 2006. There was no operating lease expense under this lease for the year ended December 31, 2003.

Minimum annual future rental payments are as follows for the years ending December 31:

2004	\$	13,633
2005		25,188
2006		<u>11,036</u>
	\$	<u>49,857</u>

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for use as follows:

Program for families with multiple sclerosis	\$	<u>13,898</u>
	\$	<u>13,898</u>