The Heuga Center
(A Colorado Non-Profit Corporation)
Financial Statements

December 31, 2006

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Heuga Center
Edwards, Colorado

Board Members:

We have audited the accompanying statements of financial position of The Heuga Center, ("Center"), a Colorado non-profit corporation, as of December 31, 2006, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of The Heuga Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized information has been derived from The Heuga Center's 2005 financial statements and, in our report dated January 22, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we 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. We believe that our audit provides 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 The Heuga Center as of December 31, 2006, and the results of its operations and changes in net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

McMahan and Associates, LLC

McMahan and Associates, L.L.C.
January 22, 2007

The Heuga Center
(A Colorado Non-Profit Organization)
Statement of Financial Position
December 31, 2006

	2006		
Assets:	**Unrestricted**	**Temporarily Restricted**	**Total**
Current Assets:			
Cash and cash equivalents	282,040	145,477	427,517
Program and event receivables, net of allowance for doubtful accounts	1,161	7,000	8,161
Donated inventory - Prizes and awards	8,730	-	8,730
Prepaid expenses	5,283	-	5,283
Total Current Assets	297,214	152,477	449,691
Property, Furniture, and Equipment:			
River Centre	1,236,094	-	1,236,094
Furniture, fixtures and equipment	51,199	-	51,199
Subtotal	1,287,293	-	1,287,293
Less: Accumulated depreciation	(350,465)	-	(350,465)
Net Property, Furniture, and Equipment	936,828	-	936,828
Total Assets	1,234,042	152,477	1,386,519
Liabilities and Net Assets:			
Current Liabilities:			
Accounts payable	27,582	-	27,582
Accrued vacation	16,035	-	16,035
Accrued interest payable	2,466	-	2,466
Deferred revenue	201,530	-	201,530
Refinancing note payable - Current	12,586	-	12,586
Total Current Liabilities	260,199	-	260,199
Long-term Liabilities:			
Refinancing note payable	454,654	-	454,654
Total Long-term Liabilities	454,654	-	454,654
Total Liabilities	714,853	-	714,853
Net Assets:			
Undesignated	519,189	152,477	671,666
Total Net Assets	519,189	152,477	671,666
Total Liabilities and Net Assets	1,234,042	152,477	1,386,519

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

The Heuga Center
(A Colorado Non-Profit Organization)
Statements of Activities and Changes in Net Assets
For the year Ended December 31, 2006

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Contributions	5,000	7,000	12,000
Program grants	457,907	145,477	603,384
Event revenue	1,031,738	-	1,031,738
Corporate donations	62,500	-	62,500
Education programs, seminars, and symposiums	99,384	-	99,384
Raffle, merchandise, other	10,948	-	10,948
Rental income	34,355	-	34,355
Investment income	600	-	600
Feasibility study revenue	25,779	-	25,779
Total Revenues	1,728,211	152,477	1,880,688
Reclassifications:			
Net assets released from restrictions:			
Expiration of time restrictions	155,764	(155,764)	-
Total Reclassifications	155,764	(155,764)	-
Expenses:			
Program services:			
Education programs	1,152,182	-	1,152,182
Total Program Services	1,152,182	-	1,152,182
Supporting services:			
Management and general	149,439	-	149,439
Fundraising	324,937	-	324,937
Total Supporting Services	474,376	-	474,376
Total Expenses	1,626,558	-	1,626,558
Change in Net Assets	257,417	(3,287)	254,130
Net Assets - Beginning of Year	261,772	155,764	417,536
Net Assets - End of Year	519,189	152,477	671,666

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

The Heuga Center
(A Colorado Non-Profit Organization)
Statements of Cash Flows
For the Year Ended December 31, 2006

	Unrestricted	Temporarily Restricted	Total
Cash Flows From Operating Activities:			
Cash received from contributions	7,641	45,000	52,641
Cash received from special events	1,031,738	-	1,031,738
Corporate donations received	62,500	-	62,500
Cash received from education programs	99,384	-	99,384
Cash received from program grants	457,907	145,477	603,384
Cash received from feasibility study	25,779	-	25,779
Cash received from raffles and merchandise	10,948	-	10,948
Rental income received	34,355	-	34,355
Interest received	600	-	600
Interest paid	(39,730)	-	(39,730)
Cash paid for program services	(1,110,752)	-	(1,110,752)
Cash paid for supporting services	(375,132)	-	(375,132)
Cash released from restrictions:			
Expiration of time restrictions	155,764	(155,764)	-
Net Cash Provided (Used) by Operating Activities	361,002	34,713	395,715
Cash Flows From Investing Activities:			
Cash paid for property and equipment	(2,595)	-	(2,595)
Net Cash Provided (Used) by Financing Activities	(2,595)	-	(2,595)
Cash Flows From Financing Activities:			
Principal payments on note payable and line of credit	(85,442)	-	(85,442)
Net Cash Provided (Used) by Financing Activities	(85,442)	-	(85,442)
Net Change in Cash	272,965	34,713	307,678
Cash Balance and Cash Equivalents			
Beginning of Year	9,075	110,764	119,839
Cash Balance and Cash Equivalents - End of Year	282,040	145,477	427,517
Reconciliation of Change in Net Assets to Net Cash Provided (Used) by Operating Activities:			
Change in net assets	257,417	(3,287)	254,130
Adjustments:			
(Increase) decrease in program and event receivables	13,291	38,000	51,291
(Increase) decrease in donated inventory - Prizes and awards	(5,450)	-	(5,450)
(Increase) decrease in prepaid expenses	11,595	-	11,595
Increase (decrease) in deferred revenue	73,950	-	73,950
Increase (decrease) in accounts payable	(23,592)	-	(23,592)
Increase (decrease) in accrued vacation	1,361	-	1,361
Increase (decrease) in accrued interest payable	(299)	-	(299)
Depreciation expense	32,729	-	32,729
Total Adjustments	103,585	38,000	141,585
Net Cash Provided (Used) by Operating Activities	361,002	34,713	395,715
Schedule of Non-cash Activities:			
Change in donated prizes and awards	5,450	-	5,450
Net Change in Donated Non-cash Assets	5,450	-	5,450

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

The Heuga Center
(A Colorado Non-Profit Organization)
Statements of Functional Expenses
For the Year Ended December 31, 2006

		Supporting Services		
	Education Programs	Management and General	Fundraising	Total
Personnel	580,512	84,865	100,796	766,173
Education programs	349,909	-	-	349,909
Other operating expense	221,761	64,574	224,141	510,476
Total	1,152,182	149,439	324,937	1,626,558

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

1. Organization

The Heuga Center (the "Center") is incorporated in the State of Colorado as a non-profit corporation. The By-Laws and Articles of Incorporation are dated March 23, 1984.

The Center is an educational organization that develops individualized health and wellness programs for persons with multiple sclerosis. The Center also conducts and coordinates studies aimed at improving the quality of life for persons with multiple sclerosis. The Center offsets the high cost of offering the health and wellness programs through grant requests and by sponsoring the Vertical Express for MS. Other fundraising activities include benefit dinners, golf tournaments, and annual giving campaigns.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting which recognizes revenues when earned and expenses when incurred.

B. Cash and Cash Equivalents

All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the date of purchase, they have a maturity date of less than three months.

C. Bad Debts

Bad debts are recognized by the allowance method. An allowance for uncollectible receivables is established when the collectibility becomes doubtful. There was no allowance at December 31, 2006.

D. Fixed Assets and Depreciation

The Center's office space, furniture, and equipment are capitalized at cost or fair market value at date of donation and depreciated over their estimated useful lives using the straight-line method of depreciation. For financial reporting purposes, the Center capitalizes assets with a cost or fair market value greater than $3,000 and an estimated useful life greater than 3 years. Depreciation expense for the year ended December 31, 2006 was $32,729.

F. Donated Goods and Services

Donated goods and services are recorded at their estimated fair value on the date received. Donated goods and services are generally used for special events and donor/volunteer appreciation.

G. Inventory

Inventory consists of donated prizes and awards and is recorded at fair market value at the date of donation.

2. Summary of Significant Accounting Policies (continued)

H. Temporarily Restricted Net Assets

Temporarily restricted assets represent either time restricted or purpose restricted cash or other donated assets. Time restricted represents cash received in the current year for next year's programs or events. Purpose restricted represents cash received for a purpose specified by the donor. All temporarily restricted net assets were time restricted at December 31, 2006.

Temporarily restricted net assets at December 31, 2006 are as follows:

Temporarily restricted at December 31, 2005	$ 155,764
Released from restrictions during the fiscal year	(155,764)
Received during the fiscal year	152,477
Temporarily restricted at December 31, 2006	$ 152,477

I. Use of Estimates

The preparation of financial statements to conformity with generally accepted accounting principles 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Comparative Information

The financial statements include certain prior year comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity to generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended December 31, 2005, from which the comparative totals were derived.

3. Cash

The Center held deposits in excess of FDIC limits amounting to $132,963 at December 31, 2006.

4. Inventory

The Center carries inventory that has been donated from sponsors of the Vertical Express for MS. The Center records the inventory at wholesale value. The total value of the inventory at December 31, 2006 was $8,730.

5. Income Taxes

The Center is exempt from federal and state income taxes under I.R.C. section 501(c)(3) and is not a private foundation within the meaning set forth in the I.R.C.

6. Long-term Debt

A. Debt Related to Office Space

Effective November 17, 2006, the Center refinanced a mortgage payable to WestStar Bank (now US Bank). The refinancing note payable had an original principal balance of $468,043. The annual interest rate is 7.6%, payable in monthly installments of $4,003, beginning December 5, 2006 and ending November 5, 2011, on which date the entire remaining principal and interest will be due. During the year ended December 31, 2006, the Center incurred $39,731 of interest and paid $11,442 in principal on the note. The principal remaining at December 31, 2006 was $467,240. During 2006, according to the amortization schedule, the Center was scheduled to have paid an additional $1,422 in principal on the loan, with the loan balance scheduled to be $465,818.

B. Revolving Line of Credit

Prior to February 20, 2006, the Center had a revolving line of credit available to borrow up to $150,000 from WestStar Bank at a variable interest rate equal to the WestStar Bank Base Rate plus 1% with an interest rate floor of 6.5%. On February 20, 2006, the Center entered a new agreement, changing the variable rate to the unadjusted WestStar Bank Rate and eliminating the interest rate floor. The new line of credit agreement expires on February 20, 2007. The Center had no debt outstanding on the line at December 31, 2006.

C. Debt Schedule

The total annual principal and interest payments for the next five years on all long-term debt are as follows:

Year Ending December 31	Principal	Interest	Total
2007	14,008	37,232	51,240
2008	13,489	34,550	48,039
2009	14,667	33,372	48,039
2010	15,838	32,201	48,039
2011	409,238	28,443	437,681
Total	$ 467,240	165,798	633,038

7. Related Party Transactions

The Center maintains a license and appearance agreement with Jimmie Heuga whereby the Center will have a license to use Jimmie Heuga's name and Jimmie Heuga will attend programs and other functions related to the Center's mission, for public education and for the purpose of expanding awareness and donor support. In exchange for the license and appearance agreement, the Center agreed to pay $115,000 annually in equal monthly installments for a three year period commencing January 1, 2006. At the expiration of the three year term, the Center shall have the option to renew the agreement for up to five succeeding three year periods on such terms and conditions as are mutually agreeable to the parties. The Center must provide written notice of renewal at least 120 days prior to the expiration of each three year term. During 2006, the Center paid Jimmie Heuga $118,588 which was allocated 75% to program expenses and 25% to fundraising expenses.

Four Program Staff, who are also Board members, were compensated by the Center for education program services provided during 2006 as follows: Jim Bergmann, $400; John Feeney, $1,000; George Garmany, $1,400; and, Patricia Kennedy, $2,100.

8. Cafeteria Plan

The Center offers a cafeteria compensation plan organized under IRC Section 125 that includes the following benefits: medical disability, accident and/or term life insurance, and health expense reimbursement. No cost to the Center is recognized as the plan is a salary reduction plan.

9. Deferred Compensation

The Center implemented a tax-sheltered annuity retirement plan in April 1995 in accordance with IRC Section 403(b). All permanent full-time employees are eligible to participate in the plan immediately and receive employer matching after six months of service. All eligible employees can contribute up to 10% of their gross wages. The Center matches 100% of each employee's annual contribution, resulting in a combined maximum contribution of 20% of gross wages. All amounts contributed, including the matching contribution, vest immediately. The Center's current year contributions as of December 31, 2006 was $43,974. Covered payroll totaled $516,005 at December 31, 2006. Total payroll for full-time employees was $537,999 at December 31, 2006. The Center has no long-term liability in connection with the plan since it is a defined contribution plan.

10. Allocation of Operating Expenses

Operating expenses that do not have a direct relationship to any of the Center's primary activities, such as office rent and administrative personnel costs, have been allocated based on management's estimate of employees' time spent in each category as follows:

Education programs	76%
Management and general	13%
Fundraising	11%
Total	100%

11. The Jimmie Heuga Center Endowment

The Jimmie Heuga Center Foundation ("Foundation") was established on December 16, 1997. The Foundation held investments at December 31, 2006 of $575,973. The investment earnings will be used to support the Center. The Center does not control the Foundation; therefore, the Foundation's assets are not included in the Center's financial statements. On April 14, 2004, the Foundation's name was changed to The Jimmie Heuga Center Endowment ("Endowment").