

Eisner

Eisner LLP
Accountants and Advisors

THE MICHAEL J. FOX FOUNDATION FOR PARKINSON'S RESEARCH

FINANCIAL STATEMENTS

DECEMBER 31, 2008 and 2007

Eisner

Eisner LLP
Accountants and Advisors

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Michael J. Fox Foundation for Parkinson's Research
New York, New York

We have audited the accompanying statements of financial position of The Michael J. Fox Foundation for Parkinson's Research (the "Foundation") as of December 31, 2008 and 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's 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 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements enumerated above present fairly, in all material respects, the financial position of The Michael J. Fox Foundation for Parkinson's Research as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



New York, New York
June 8, 2009

THE MICHAEL J. FOX FOUNDATION FOR PARKINSON'S RESEARCH

Statements of Financial Position

	December 31,	
	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 2,133,965	\$ 32,174,433
Investments	28,828,571	10,569
Contributions receivable, net	26,762,424	15,566,497
Prepaid expenses and other current assets	162,958	37,015
Security deposits	33,061	33,061
Property and equipment, net	<u>388,610</u>	<u>518,718</u>
	<u>\$ 58,309,589</u>	<u>\$ 48,340,293</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,066,594	\$ 957,787
Grants payable, net	38,882,706	31,331,041
Deferred rent	367,192	376,270
Loan payable	<u>1,013,285</u>	<u> </u>
	<u>41,329,777</u>	<u>32,665,098</u>
Commitments (Note I)		
Net assets:		
Unrestricted	(5,516,236)	6,766,811
Temporarily restricted	<u>22,496,048</u>	<u>8,908,384</u>
Total net assets	<u>16,979,812</u>	<u>15,675,195</u>
	<u>\$ 58,309,589</u>	<u>\$ 48,340,293</u>

THE MICHAEL J. FOX FOUNDATION FOR PARKINSON'S RESEARCH

Statements of Activities

	Year Ended December 31,					
	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenue:						
Contributions	\$ 10,892,105	\$ 24,443,772	\$ 35,335,877	\$ 24,276,114	\$ 6,337,127	\$ 30,613,241
Special events (net of direct benefit to donors of \$334,350 and \$273,750 in 2008 and 2007, respectively)	4,272,146	2,469,844	6,741,990	3,296,423	3,790,792	7,087,215
Investment income	662,655		662,655	748,194		748,194
Miscellaneous income	25,682		25,682	117		117
Total public support and revenue before release of restrictions	15,852,588	26,913,616	42,766,204	28,320,848	10,127,919	38,448,767
Net assets released from restrictions	13,325,952	(13,325,952)	0	15,394,105	(15,394,105)	0
Total public support and revenue	29,178,540	13,587,664	42,766,204	43,714,953	(5,266,186)	38,448,767
Expenses:						
Program services	36,236,785		36,236,785	26,270,247		26,270,247
Management and general	1,093,996		1,093,996	1,017,356		1,017,356
Fund-raising	4,130,806		4,130,806	3,947,418		3,947,418
Total expenses	41,461,587		41,461,587	31,235,021		31,235,021
Change in net assets	(12,283,047)	13,587,664	1,304,617	12,479,932	(5,266,186)	7,213,746
Net assets (deficit), beginning of year	6,766,811	8,908,384	15,675,195	(5,713,121)	14,174,570	8,461,449
Net (deficit) assets, end of year	\$ (5,516,236)	\$ 22,496,048	\$ 16,979,812	\$ 6,766,811	\$ 8,908,384	\$ 15,675,195

See notes to financial statements

THE MICHAEL J. FOX FOUNDATION FOR PARKINSON'S RESEARCH

Statements of Functional Expenses

	December 31,							
	2008				2007			
	Program Services	Management and General	Fund-raising	Total	Program Services	Management and General	Fund-raising	Total
Grant awards	\$ 32,848,659			\$ 32,848,659	\$ 23,655,060			\$ 23,655,060
Salaries and wages	1,664,328	\$ 747,791	\$ 1,618,163	4,030,282	1,310,428	\$ 685,455	\$ 1,650,337	3,646,220
Payroll taxes and employee benefits	254,688	128,747	276,005	659,440	200,133	124,281	278,023	602,437
Donation processing			81,672	81,672			10,751	10,751
Professional fees	154,819	35,744	209,439	400,002	76,861	48,540	86,555	211,956
Research advisors	107,356			107,356	126,613			126,613
Web-site expenses	11,291		3,764	15,055			134,968	134,968
Recruitment costs	2,550	8,530	1,145	12,225	2,001	637	8,489	11,127
Technology expense	40,110	13,863	58,327	112,300	36,839	17,322	47,158	101,319
Telephone	23,576	5,887	16,360	45,823	16,610	7,692	16,898	41,200
Travel and entertainment	54,961	13,328	152,264	220,553	47,629	5,007	126,612	179,248
Postage and delivery	29,374	3,996	123,708	157,078	11,738	2,629	164,384	178,751
Office supplies and equipment	13,030	6,189	12,995	32,214	9,005	7,757	14,214	30,976
Credit card and broker fees			142,118	142,118			125,095	125,095
Utilities - repairs and maintenance	24,758	11,035	25,170	60,963	13,810	10,015	20,215	44,040
Scientific meetings	664,591			664,591	552,702			552,702
Advertising and publicity	24,991		36,172	61,163	441		51,793	52,234
Insurance	7,439	3,480	7,592	18,511	5,714	3,069	7,052	15,835
Printing and production	83,944	411	286,546	370,901	2,450	1,262	278,772	282,484
Dues and subscriptions	12,536	427	2,866	15,829	10,999	331	234	11,564
Rent	151,188	67,388	148,968	367,544	134,287	71,594	160,964	366,845
Depreciation and amortization	55,321	24,658	54,509	134,488	47,808	25,705	57,703	131,216
Marathon runner fees			78,950	78,950			82,766	82,766
Other special events expense			778,963	778,963			611,608	611,608
Interest expense		13,089		13,089				
Miscellaneous	7,275	9,433	15,110	31,818	9,119	6,060	12,827	28,006
	<u>\$ 36,236,785</u>	<u>\$ 1,093,996</u>	<u>\$ 4,130,806</u>	<u>\$ 41,461,587</u>	<u>\$ 26,270,247</u>	<u>\$ 1,017,356</u>	<u>\$ 3,947,418</u>	<u>\$ 31,235,021</u>

See notes to financial statements

THE MICHAEL J. FOX FOUNDATION FOR PARKINSON'S RESEARCH

Statements of Cash Flows

	Year Ended December 31,	
	2008	2007
Cash flows from operating activities:		
Change in net assets	\$ 1,304,617	\$ 7,213,746
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	134,488	131,216
Net realized and unrealized losses on investments	82,275	16,196
Donation of securities	(6,080,374)	(5,083,501)
Changes in:		
Contributions receivable	(11,195,927)	2,122,324
Prepaid expenses and other current assets	(125,943)	102,777
Accounts payable and accrued expenses	108,807	31,094
Grants payable	(9,078)	5,189,784
Deferred rent	7,551,665	79,406
Net cash (used in) provided by operating activities	<u>(8,229,470)</u>	<u>9,803,042</u>
Cash flows from investing activities:		
Purchases of property and equipment	(4,380)	(117,416)
Purchases of investments	(28,811,623)	
Proceeds from sales of investments	5,991,720	5,098,037
Net cash (used in) provided by investing activities	<u>(22,824,283)</u>	<u>4,980,621</u>
Cash flows from financing activities:		
Change in deposit for office space		11,717
Proceeds from loan payable	1,013,285	
Net cash provided by financing activities	<u>1,013,285</u>	<u>11,717</u>
Net change in cash and cash equivalents	(30,040,468)	14,795,380
Cash and cash equivalents, beginning of year	<u>32,174,433</u>	<u>17,379,053</u>
Cash and cash equivalents, end of year	<u>\$ 2,133,965</u>	<u>\$ 32,174,433</u>

THE MICHAEL J. FOX FOUNDATION FOR PARKINSON'S RESEARCH

Notes to Financial Statements December 31, 2008 and 2007

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

Michael J. Fox established The Michael J. Fox Foundation for Parkinson's Research (the "Foundation") in 2000, after publicly disclosing in 1998 that he had been diagnosed with the disease seven years earlier. Parkinson's disease, a chronic, degenerative neurological disorder that affects an estimated six million people worldwide, impairs the central nervous system, causing difficulty with even the simplest of movements. The Foundation is dedicated to ensuring the development of better treatment and ultimately a cure, for Parkinson's disease through aggressively funded research agenda.

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code, and from state and local taxes under comparable laws.

[2] Financial reporting:

(a) Basis of accounting:

The accompanying financial statements of the Foundation have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit entities.

(b) Functional allocation of expenses:

The costs of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management.

(c) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(d) Cash, cash equivalents and investments:

For financial statement purposes, cash and cash equivalents are comprised of highly liquid financial instruments (such as U.S. treasury notes or other government securities) with original maturities of three months or less at the date of acquisition. Cash and cash equivalents include \$132,000 of restricted cash.

Investments include highly liquid financial instruments with original maturities of between four and twelve months at the date of acquisition.

The Foundation maintains a large balance of cash and highly liquid investments in recognition of the fact that a high percentage of these assets have already been committed to future research payments.

(e) Investments and investment income:

Investments in U.S. government securities and marketable securities are reported at their fair values. Donated securities are recorded at their fair values on the dates of the gifts. It is the Foundation's policy to sell donated securities upon receipt. Realized and unrealized appreciation or depreciation of investments is included in the accompanying statements of activities.

THE MICHAEL J. FOX FOUNDATION FOR PARKINSON'S RESEARCH

Notes to Financial Statements December 31, 2008 and 2007

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[2] Financial reporting: (continued)

(f) Net assets:

The net assets of the Foundation and changes therein are classified and reported as follows:

(i) *Unrestricted:*

Unrestricted net assets represent those resources that are not subject to donor restrictions.

(ii) *Temporarily restricted:*

Temporarily restricted net assets represent those resources the use of which has been restricted by donors for research grants or the passage of time. Net assets released from restrictions represent the payment of these grants and/or the passage of time.

A significant amount of contributions raised from special events are restricted for research.

[3] Property and equipment:

Property and equipment are stated at their original costs or at their fair values at the dates of donation. Depreciation is provided using the straight-line method over the estimated useful lives of three years for computer software, five years for equipment and seven years for furniture and fixtures. Amortization of leasehold improvements is provided over the terms of the lease.

[4] Fair value of financial instruments:

Financial instruments are composed of cash and cash equivalents, contributions, grants payable and grants receivable, the carrying values of which approximate their fair values; similarly, the reported amounts of liabilities approximate their fair values.

[5] Contributions and grants received:

Contributions and grants to the Foundation are recorded as revenue upon the receipt of cash or unconditional pledges. Contributions and grants are considered available for unrestricted use unless specifically restricted by the donor.

[6] Grants payable:

The Foundation records appropriations for research grants as an expense and liability after approval by the Board of Directors, based upon (i) the recommendations of the Research Committee of the Board, with the guidance and input of the Scientific Advisory Board and other highly regarded scientists who serve on grant-review committees specializing in Parkinson's research, and (ii) the availability of funding.

THE MICHAEL J. FOX FOUNDATION FOR PARKINSON'S RESEARCH

Notes to Financial Statements December 31, 2008 and 2007

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[7] Deferred rent:

Rent expense is recognized using the straight-line method over the terms of the lease. The difference between rent expense incurred and the rental amounts paid, which is attributable to scheduled rent increases, is reported as a "deferred rent" obligation in the accompanying statements of financial position.

[8] Accrued vacation:

Based on their tenure, the Foundation's employees are entitled to be paid for unused vacation time if they leave the Foundation's employ. Accordingly, at each year-end, the Foundation must recognize a liability for the amount that would be incurred if employees with such unused vacation were to leave. The accrued vacation obligation for 2008 and 2007 was approximately \$22,000 and \$25,000, respectively.

[9] New accounting pronouncements:

In July 2006, the Financial Accounting Standards Board (the "FASB") issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 establishes for all financial enterprises, including not-for-profit organizations to the extent applicable, a requirement for financial-statement recognition of any benefits that the enterprise may expect to receive as the result of a position taken with regard to income taxes, as well as expanded tax-related disclosures. A subsequent FASB release has permitted deferral of the application of FIN 48; management evaluates any material uncertain tax positions on an ongoing basis and has elected to defer application of FIN 48 to 2009.

In September 2006, the FASB also released Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurement," which defines fair value, establishes a framework for the measurement of the fair value of an enterprise's assets and liabilities in various circumstances, and enhances disclosures about fair-value measurements. The Foundation adopted SFAS No. 157 in 2008, with no material effect on its financial statements.

NOTE B - INVESTMENTS

At each year-end, investments consisted of the following:

	December 31,			
	2008		2007	
	Cost	Fair Value	Cost	Fair Value
U.S. government securities	\$ 28,601,675	\$ 28,811,623		
Common stock	<u>16,396</u>	<u>16,948</u>	\$10,675	\$ 10,569
	<u>\$ 28,618,071</u>	<u>\$ 28,828,571</u>	<u>\$10,675</u>	<u>\$ 10,569</u>

THE MICHAEL J. FOX FOUNDATION FOR PARKINSON'S RESEARCH

Notes to Financial Statements December 31, 2008 and 2007

NOTE B - INVESTMENTS (CONTINUED)

During each year, investment income (loss) consisted of the following:

	<u>Year Ended December 31,</u>	
	<u>2008</u>	<u>2007</u>
Interest and dividends	\$ 744,930	\$ 764,390
Net realized losses	(82,933)	(16,265)
Net unrealized gains	<u>658</u>	<u>69</u>
	<u>\$ 662,655</u>	<u>\$ 748,194</u>

NOTE C - CONTRIBUTIONS RECEIVABLE

At each year-end, unconditional amounts promised to the Foundation, but not yet collected, have been recorded as receivables and are estimated to be due as follows:

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
2008		\$ 8,807,338
2009	\$ 21,454,934	2,639,999
2010	3,114,823	2,489,823
2011	2,305,000	2,280,000
2012	300,000	
Thereafter	<u>525,000</u>	<u>750,000</u>
	<u>27,699,757</u>	16,967,160
Less discount to present value of 6%	<u>(937,333)</u>	<u>(1,400,663)</u>
	<u>\$ 26,762,424</u>	<u>\$ 15,566,497</u>

Based on its prior experience with donors, The Foundation considers all receivables to be fully collectible; accordingly, no allowance for doubtful amounts has been established.

NOTE D - FAIR VALUE MEASUREMENT

As discussed in Note A, the Foundation adopted SFAS No. 157 on January 1, 2008 for certain financial assets and liabilities, which among other things, requires enhanced disclosures about assets and liabilities measured at fair value. Accordingly, SFAS No. 157:

- defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establishes a framework for measuring fair value;
- establishes a three-level hierarchy for fair value measurement based upon the observability of inputs to the evaluation of an asset or liability as of the measurement date;
- requires consideration of nonperformance risk when valuing liabilities; and
- expands disclosures about instruments measured at fair value.

THE MICHAEL J. FOX FOUNDATION FOR PARKINSON'S RESEARCH

Notes to Financial Statements December 31, 2008 and 2007

NOTE D - FAIR VALUE MEASUREMENT (CONTINUED)

SFAS No. 157 also establishes a three-level valuation hierarchy for fair-value measurements. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 - quoted prices for identical instruments in active markets;

Level 2 - quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations the significant inputs of which are observable; and

Level 3 - instruments the significant inputs for which are unobservable.

The Foundation's investments are included in Level 1 of the hierarchy because they can be valued based on quoted prices in active markets for either identical instruments or similar instruments.

NOTE E - PROPERTY AND EQUIPMENT

At each year-end, property and equipment consisted of the following:

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Computer hardware and software	\$ 273,383	\$ 273,383
Furniture and fixtures	202,009	202,009
Equipment	275,243	275,243
Leasehold improvements	<u>267,187</u>	<u>262,807</u>
	1,017,822	1,013,442
Less accumulated depreciation and amortization	<u>(629,212)</u>	<u>(494,724)</u>
	<u>\$ 388,610</u>	<u>\$ 518,718</u>

NOTE F - GRANTS PAYABLE

At each year-end, grants payable are due to be paid as follows:

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
2008		\$ 19,019,627
2009	\$ 25,915,854	7,715,913
2010	9,759,266	3,804,792
2011	3,342,760	1,751,857
2012	<u>797,658</u>	<u> </u>
	39,815,538	32,292,189
Less discount to present value of 3%	<u>(932,832)</u>	<u>(961,148)</u>
	<u>\$ 38,882,706</u>	<u>\$ 31,331,041</u>

THE MICHAEL J. FOX FOUNDATION FOR PARKINSON'S RESEARCH

Notes to Financial Statements December 31, 2008 and 2007

NOTE G - LOAN PAYABLE

During 2008, the Foundation entered into a loan agreement. The terms of this agreement stipulate that the Foundation receive the present value of \$2,450,000, discounted at a state of 4.53% per annum. Interest is compounded on a semiannual basis, and no principal or interest payments are due until 2028. The loan balance and original issue discount as of December 31, 2008 was \$1,013,285. Funds obtained were applied to fund research focused on developing a cure for Parkinson's disease.

NOTE H - TEMPORARILY RESTRICTED NET ASSETS

At each year-end, temporarily restricted net assets were restricted for the following:

	December 31,	
	2008	2007
Research	\$ 19,221,549	\$ 5,893,769
Time restrictions	<u>3,274,499</u>	<u>3,014,615</u>
	<u>\$ 22,496,048</u>	<u>\$ 8,908,384</u>

During each year, net assets released from restrictions were for the following:

	Year Ended December 31,	
	2008	2007
Research	\$13,325,952	\$11,415,018
Time restrictions	<u> </u>	<u>3,979,087</u>
	<u>\$13,325,952</u>	<u>\$15,394,105</u>

NOTE I - COMMITMENTS

[1] Lease commitment:

The Foundation has a lease for office space that expires on August 30, 2016.

Future minimum rent payments, exclusive of escalation charges and real estate taxes are as follows:

<u>Year</u>	<u>Amount</u>
2009	\$ 397,000
2010	397,000
2011	442,000
2012	451,000
2013	451,000
Thereafter	<u>1,203,000</u>
	<u>\$ 3,341,000</u>

Rent expense for 2008 and 2007 was \$367,544 and \$366,845, respectively.

THE MICHAEL J. FOX FOUNDATION FOR PARKINSON'S RESEARCH

Notes to Financial Statements December 31, 2008 and 2007

NOTE I - COMMITMENTS (CONTINUED)

[2] Letter of credit:

The Foundation has a \$285,000 unused letter of credit with a bank which is required, in lieu of a security deposit, under the lease agreement for its office space. The letter of credit is collateralized by a \$132,000 time deposit that the Foundation must maintain with the bank.

NOTE J - RELATED-PARTY TRANSACTIONS

During the 2008 and 2007, the Foundation incurred design and creative advice expenses of \$72,654 and \$86,920, respectively, for services rendered by a communications, brand development and design agency, the chairman of which is a member of the Foundation's board of directors.

NOTE K - RETIREMENT BENEFITS

The Foundation has a defined-contribution retirement plan, formed under U.S. Internal Revenue Code Section 401(k), that covers all employees who meet certain length-of-service requirements. Participants' contributions are fully vested at all times. The Foundation's contributions to the plan were \$103,518 and \$97,944 in 2008 and 2007, respectively.

NOTE L - CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash with a major banking institution in amounts which, from time to time, may be in excess of federal insurance limits. Management believes that the Foundation has no significant risk of loss on these accounts relating to the failure of the banking institution.

NOTE M - DEFICIT IN UNRESTRICTED NET ASSETS

A significant amount of the contributions raised by the Foundation each year are temporarily restricted for a variety of research projects. The corresponding grant awards made annually by the Foundation, but not funded in cash until subsequent years, are designed to address those research projects. Accordingly, annual grant awards are intended to utilize contributions that are both unrestricted and temporarily restricted, which may result, in some years, in a deficit in unrestricted net assets until temporary net assets are released from restriction. The deficit in unrestricted net assets at December 31, 2008 was \$5,516,236.