

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
MARYLAND CHAPTER
FINANCIAL STATEMENTS
September 30, 2014 and 2013**

**NATIONAL MULTIPLE SCLEROSIS SOCIETY, MARYLAND CHAPTER
FINANCIAL STATEMENTS
September 30, 2014 and 2013**

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
National Multiple Sclerosis Society, Maryland Chapter

Report on the Financial Statements

We have audited the accompanying financial statements of National Multiple Sclerosis Society, Maryland Chapter (Chapter), which comprise the Statements of Financial Position as of September 30, 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.

Auditors' 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 audits 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 auditors' 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 auditors consider 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 the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITORS' REPORT, CONTINUED

We believe 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 National Multiple Sclerosis Society, Maryland Chapter as of September 30, 2014 and 2013, and the change 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.

Ellin & Tucker, Chartered

ELLIN & TUCKER, CHARTERED
Certified Public Accountants

Baltimore, Maryland
December 23, 2014

**NATIONAL MULTIPLE SCLEROSIS SOCIETY, MARYLAND CHAPTER
STATEMENTS OF FINANCIAL POSITION
September 30, 2014 and 2013**

ASSETS

	<u>2014</u>	<u>2013</u>
<u>CURRENT ASSETS:</u>		
Cash and Cash Equivalents	\$336,559	\$329,330
Contributions Receivable (Note 2)	15,474	24,876
Contributions Receivable from Home Office	1,769	3,649
Donated Vehicle Inventory	7,183	11,592
Prepaid Expenses and Other Current Assets	<u>8,960</u>	<u>13,015</u>
Total Current Assets	<u>369,945</u>	<u>382,462</u>
<u>NON-CURRENT ASSETS:</u>		
Contributions Receivable (Note 2)	150	700
Rent Deposit	6,114	6,114
Property and Equipment, Net (Note 3)	15,833	36,062
Due from Home Office - Gift Annuity (Notes 8 and 10)	<u>89,605</u>	<u>230,022</u>
Total Non-Current Assets	<u>111,702</u>	<u>272,898</u>
Total Assets	<u>\$481,647</u>	<u>\$655,360</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
<u>Due to Home Office (Note 5):</u>		
Remittance Due to Home Office	\$ -	\$ -
Other Payables to Home Office	1,726	2,287
Due to Other Chapters	27,271	27,157
Accounts Payable and Accrued Expenses	102,841	184,798
Deferred Revenue (Note 6)	198,363	218,627
Deferred Rent	<u>13,325</u>	<u>8,434</u>
Total Current Liabilities	343,526	441,303
<u>LONG-TERM LIABILITIES:</u>		
Deferred Rent	<u>9,437</u>	<u>22,762</u>
Total Liabilities	<u>352,963</u>	<u>464,065</u>
COMMITMENTS (Note 7)		
<u>NET ASSETS (Notes 8 and 9):</u>		
Unrestricted	(235,765)	(287,119)
Temporarily Restricted	126,449	240,414
Permanently Restricted	<u>238,000</u>	<u>238,000</u>
Total Net Assets	<u>128,684</u>	<u>191,295</u>
Total Liabilities and Net Assets	<u>\$481,647</u>	<u>\$655,360</u>

(See Independent Auditors' Report and Accompanying Notes)

NATIONAL MULTIPLE SCLEROSIS SOCIETY, MARYLAND CHAPTER
STATEMENTS OF ACTIVITIES
For the Years Ended September 30, 2014 and 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT:								
<u>Public Support Received Directly:</u>								
Special Events (Includes In-kind Contributions of \$272,521 and \$271,452 in 2014 and 2013, Respectively)	\$ 2,220,044	\$ -	\$ -	\$ 2,220,044	\$ 2,485,860	\$ -	\$ -	\$ 2,485,860
Less: Benefit to Donor Costs	(441,180)	-	-	(441,180)	(476,335)	-	-	(476,335)
	<u>1,778,864</u>	<u>-</u>	<u>-</u>	<u>1,778,864</u>	<u>2,009,525</u>	<u>-</u>	<u>-</u>	<u>2,009,525</u>
Contributions	268,528	26,452	-	294,980	247,628	(1,273)	-	246,355
Legacies Received by Chapter	30,219	-	-	30,219	14,125	-	-	14,125
	<u>2,077,611</u>	<u>26,452</u>	<u>-</u>	<u>2,104,063</u>	<u>2,271,278</u>	<u>(1,273)</u>	<u>-</u>	<u>2,270,005</u>
Grant from Governmental Agency (Note 6)	<u>307,645</u>	<u>-</u>	<u>-</u>	<u>307,645</u>	<u>290,775</u>	<u>-</u>	<u>-</u>	<u>290,775</u>
<u>Other Revenue:</u>								
Investment Income (Loss)	396	-	-	396	(112)	-	-	(112)
Service Program Fees	14,410	-	-	14,410	13,418	-	-	13,418
Miscellaneous Income	7,118	-	-	7,118	3,973	-	-	3,973
	<u>21,924</u>	<u>-</u>	<u>-</u>	<u>21,924</u>	<u>17,279</u>	<u>-</u>	<u>-</u>	<u>17,279</u>
Net Assets Released from Restrictions	<u>140,417</u>	<u>(140,417)</u>	<u>-</u>	<u>-</u>	<u>6,128</u>	<u>(6,128)</u>	<u>-</u>	<u>-</u>
	<u>2,547,597</u>	<u>(113,965)</u>	<u>-</u>	<u>2,433,632</u>	<u>2,585,460</u>	<u>(7,401)</u>	<u>-</u>	<u>2,578,059</u>

(See Independent Auditors' Report and Accompanying Notes)

NATIONAL MULTIPLE SCLEROSIS SOCIETY, MARYLAND CHAPTER
STATEMENTS OF ACTIVITIES, CONTINUED
For the Years Ended September 30, 2014 and 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
EXPENSES:								
<u>Program Services:</u>								
Research	472,952	-	-	472,952	460,228	-	-	460,228
Society Activities (Note 5)	342,483	-	-	342,483	373,706	-	-	373,706
Client Programs	515,306	-	-	515,306	598,802	-	-	598,802
Community Programs	228,786	-	-	228,786	242,576	-	-	242,576
Professional Education and Training	96,665	-	-	96,665	123,996	-	-	123,996
Public Education	238,642	-	-	238,642	264,294	-	-	264,294
Total Program Services	1,894,834	-	-	1,894,834	2,063,602	-	-	2,063,602
<u>Supporting Services:</u>								
Fundraising	474,041	-	-	474,041	465,791	-	-	465,791
Management and General	127,368	-	-	127,368	146,015	-	-	146,015
Total Supporting Services	601,409	-	-	601,409	611,806	-	-	611,806
Total Expenses	2,496,243	-	-	2,496,243	2,675,408	-	-	2,675,408
Change in Net Assets	51,354	(113,965)	-	(62,611)	(89,948)	(7,401)	-	(97,349)
NET ASSETS, BEGINNING OF YEAR	(287,119)	240,414	238,000	191,295	(197,171)	247,815	238,000	288,644
NET ASSETS, END OF YEAR	\$ (235,765)	\$ 126,449	\$ 238,000	\$ 128,684	\$ (287,119)	\$ 240,414	\$ 238,000	\$ 191,295

(See Independent Auditors' Report and Accompanying Notes)

NATIONAL MULTIPLE SCLEROSIS SOCIETY, MARYLAND CHAPTER
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2014
(With Comparative Total for the Year Ended September 30, 2013)

	2014													2013 Total Expenses
	Program Services							Supporting Services			Total Program and Supporting Services	Benefit to Donor Costs	Total Expenses	
	Research	Society Activities	Client Programs	Community Programs	Professional Education and Training	Public Education	Total Program Services	Fund- raising	Management and General	Total Supporting Services				
Salaries	\$ -	\$ -	\$ 130,622	\$ 115,330	\$ 67,541	\$ 101,949	\$ 415,442	\$ 144,640	\$ 77,100	\$ 221,740	\$ 637,182	\$ -	\$ 637,182	\$ 786,225
Payroll Taxes	-	-	10,665	9,417	5,515	8,324	33,921	11,810	6,295	18,105	52,026	-	52,026	59,438
Employee Benefits	-	-	14,273	12,602	7,380	11,140	45,395	15,805	8,426	24,231	69,626	-	69,626	101,244
Total Salaries and Related Expenses	-	-	155,560	137,349	80,436	121,413	494,758	172,255	91,821	264,076	758,834	-	758,834	946,907
Printing	-	-	1,765	1,049	240	8,702	11,756	21,463	275	21,738	33,494	2,878	36,372	42,139
Postage and Shipping	-	-	1,906	1,147	103	4,214	7,370	7,976	116	8,092	15,462	-	15,462	13,806
Telephone	-	-	2,308	1,259	729	1,100	5,396	1,561	831	2,392	7,788	-	7,788	22,628
Office Supplies	-	-	583	316	185	279	1,363	1,971	208	2,179	3,542	19,618	23,160	38,786
Dues and Memberships	-	-	235	207	121	183	746	1,217	398	1,615	2,361	-	2,361	3,477
Professional and Other Contract Service Fees	-	-	1,299	35,868	185	80,613	117,965	173,803	16,897	190,700	308,665	-	308,665	232,884
Travel	-	-	3,727	2,619	548	827	7,721	11,167	645	11,812	19,533	195,137	214,670	206,853
Meetings	-	-	30,310	4,981	273	412	35,976	2,195	371	2,566	38,542	30,560	69,102	59,900
Occupancy	-	-	16,789	14,824	8,681	13,104	53,398	18,591	9,911	28,502	81,900	124,050	205,950	263,458
Equipment Rental	-	-	3,524	3,111	1,822	2,750	11,207	3,902	2,080	5,982	17,189	-	17,189	14,592
Funding of MS Clinics	-	-	-	20,000	-	-	20,000	-	-	-	20,000	-	20,000	12,500
Direct Financial Assistance	-	-	290,532	-	-	-	290,532	-	-	-	290,532	-	290,532	312,139
Awards and Prizes	-	-	303	24	14	21	362	30	16	46	408	53,259	53,667	45,627
Miscellaneous	-	-	2,318	2,371	1,184	1,787	7,660	53,318	1,351	54,669	62,329	15,678	78,007	74,454
Depreciation	-	-	4,147	3,661	2,144	3,237	13,189	4,592	2,448	7,040	20,229	-	20,229	27,659
Restricted Contributions to National for Research and Other Activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chapter Support of Society Research Investment	472,952	-	-	-	-	-	472,952	-	-	-	472,952	-	472,952	460,228
Total Expenses Before Chapter Support of Society Activities	472,952	-	515,306	228,786	96,665	238,642	1,552,351	474,041	127,368	601,409	2,153,760	441,180	2,594,940	2,778,037
Chapter Support of Society Activities (Includes Payments to Affiliates of \$12,098 in 2013)	-	342,483	-	-	-	-	342,483	-	-	-	342,483	-	342,483	373,706
Total Expenses	\$ 472,952	\$ 342,483	\$ 515,306	\$ 228,786	\$ 96,665	\$ 238,642	\$ 1,894,834	\$ 474,041	\$ 127,368	\$ 601,409	\$ 2,496,243	\$ 441,180	2,937,423	3,151,743
Less: Direct Benefit to Donor Costs													441,180	476,335
Total Expenses as Reported on the Statements of Activities													\$ 2,496,243	\$ 2,675,408

(See Independent Auditors' Report and Accompanying Notes)

**NATIONAL MULTIPLE SCLEROSIS SOCIETY, MARYLAND CHAPTER
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2013**

	Program Services						Supporting Services			Total Program and Supporting Services	Benefit to Donor Costs	Total Expenses	
	Research	Society Activities	Client Programs	Community Programs	Professional Education and Training	Public Education	Total Program Services	Fund-raising	Management and General				Total Supporting Services
Salaries	\$ -	\$ -	\$ 170,611	\$ 149,383	\$ 86,485	\$ 124,224	\$ 530,703	\$ 165,107	\$ 90,415	\$ 255,522	\$ 786,225	\$ -	\$ 786,225
Payroll Taxes	-	-	12,898	11,293	6,538	9,391	40,120	12,482	6,836	19,318	59,438	-	59,438
Employee Benefits	-	-	21,970	19,236	11,137	15,997	68,340	21,261	11,643	32,904	101,244	-	101,244
Total Salaries and Related Expenses	-	-	205,479	179,912	104,160	149,612	639,163	198,850	108,894	307,744	946,907	-	946,907
Printing	-	-	1,825	730	258	11,831	14,644	27,224	271	27,495	42,139	-	42,139
Postage and Shipping	-	-	2,056	235	129	3,509	5,929	7,740	137	7,877	13,806	-	13,806
Telephone	-	-	5,509	4,154	2,405	3,454	15,522	4,592	2,514	7,106	22,628	-	22,628
Office Supplies	-	-	1,286	812	452	650	3,200	2,577	474	3,051	6,251	32,535	38,786
Dues and Memberships	-	-	613	537	311	446	1,907	1,246	324	1,570	3,477	-	3,477
Professional and Other Contract Service Fees	-	-	4,544	9,830	422	72,168	86,964	128,978	16,942	145,920	232,884	-	232,884
Travel	-	-	3,850	4,319	588	687	9,444	15,711	500	16,211	25,655	181,198	206,853
Meetings	-	-	31,439	3,664	345	496	35,944	2,866	361	3,227	39,171	20,729	59,900
Occupancy	-	-	17,692	15,489	8,967	12,880	55,028	17,119	9,375	26,494	81,522	181,936	263,458
Equipment Rental	-	-	3,165	2,773	1,605	2,306	9,849	3,065	1,678	4,743	14,592	-	14,592
Funding of MS Clinics	-	-	-	12,500	-	-	12,500	-	-	-	12,500	-	12,500
Direct Financial Assistance	-	-	312,139	-	-	-	312,139	-	-	-	312,139	-	312,139
Awards and Prizes	-	-	490	40	23	33	586	864	23	887	1,473	44,154	45,627
Miscellaneous	-	-	2,713	2,326	1,289	1,852	8,180	49,150	1,341	50,491	58,671	15,783	74,454
Depreciation	-	-	6,002	5,255	3,042	4,370	18,669	5,809	3,181	8,990	27,659	-	27,659
Restricted Contributions to National for Research and Other Activities	-	-	-	-	-	-	-	-	-	-	-	-	-
Chapter Support of Society Research Investment	460,228	-	-	-	-	-	460,228	-	-	-	460,228	-	460,228
Total Expenses Before Chapter Support of Society Activities	460,228	-	598,802	242,576	123,996	264,294	1,689,896	465,791	146,015	611,806	2,301,702	476,335	2,778,037
Chapter Support of Society Activities (Includes Payment to Affiliates of \$12,098)	-	373,706	-	-	-	-	373,706	-	-	-	373,706	-	373,706
Total Expenses	\$ 460,228	\$ 373,706	\$ 598,802	\$ 242,576	\$ 123,996	\$ 264,294	\$2,063,602	\$ 465,791	\$ 146,015	\$ 611,806	\$ 2,675,408	\$ 476,335	3,151,743
Less: Direct Benefit to Donor Costs													476,335
Total Expenses as Reported on the Statements of Activities													\$ 2,675,408

(See Independent Auditors' Report and Accompanying Notes)

NATIONAL MULTIPLE SCLEROSIS SOCIETY, MARYLAND CHAPTER
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2014 and 2013

	2014	2013
<u>OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ (62,611)	\$ (97,349)
<u>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:</u>		
Depreciation	20,229	27,659
<u>Decrease (Increase) in Assets:</u>		
Contributions Receivable	9,952	18,924
Contributions Receivable from Home Office	1,880	(3,649)
Donated Vehicle Inventory	4,409	(6,139)
Prepaid Expenses and Other Current Assets	4,055	7,355
Due from Home Office - Gift Annuity	140,417	1,666
<u>(Decrease) Increase in Liabilities:</u>		
Due to Home Office	(447)	12,459
Accounts Payable and Accrued Expenses	(81,957)	46,612
Deferred Revenue	(20,264)	(12,211)
Deferred Rent	(8,434)	(3,543)
	7,229	(8,216)
Net Cash Provided by (Used in) Operating Activities	7,229	(8,216)
<u>INVESTING ACTIVITIES:</u>		
Purchase of Property and Equipment	-	(15,836)
	7,229	(24,052)
Net Increase (Decrease) in Cash and Cash Equivalents	7,229	(24,052)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	329,330	353,382
CASH AND CASH EQUIVALENTS, END OF YEAR	\$336,559	\$329,330

(See Independent Auditors' Report and Accompanying Notes)

**NATIONAL MULTIPLE SCLEROSIS SOCIETY, MARYLAND CHAPTER
NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The National Multiple Sclerosis Society (National) is a not-for-profit voluntary health and welfare agency that helps each person address the challenges of living with multiple sclerosis through a 50-state network of chapters. The National Multiple Sclerosis Society, Maryland Chapter (Chapter) raises funds in the state of Maryland (excluding Montgomery, Prince George's, Charles, Calvert and St. Mary's counties) to fund cutting-edge research, drive change through advocacy, facilitate professional education, and provide programs and services that help people with multiple sclerosis and their families move their lives forward.

Accounting Standards Codification

All references in the financial statements to the Codification refer to the Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (GAAP) issued by the Financial Accounting Standards Board. The Codification is the single source of authoritative GAAP in the United States.

Basis of Presentation

The Chapter's financial statements are prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and certain reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition and Deferred Revenue

Contributions are recorded as revenue when recorded or promised (pledged) unconditionally, at their fair value. The fair value of long-term contributions receivable are measured based on the present value of future cash flows, with consideration of expectation about possible variations in the amount and/or timing of the cash flows and other specific factors that would be considered by market participants. The fair value measurements also consider donors' credit risk. The Chapter recognizes income from legacies and bequests when an unassailable right to the gift has been established by the court and the proceeds are measurable in amount. It is the Chapter's policy to record temporarily restricted contributions received and fulfilled in the same accounting period in the unrestricted net asset class. When a prior year's donor restriction expires, that is, when a time restriction ends or purpose restriction is fulfilled, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions. Conditional

(See Independent Auditors' Report)

**NATIONAL MULTIPLE SCLEROSIS SOCIETY, MARYLAND CHAPTER
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

contributions are recognized as revenue when the conditions on which they depend have been substantially met.

All revenue received in advance for special events that are held subsequent to year end is deferred and recognized in the year of the event.

Subsequent Events

The Chapter has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through December 23, 2014, the date the financial statements were available to be issued.

Cash and Cash Equivalents

The Chapter maintains its cash in money market funds and bank deposit accounts which may exceed federally insured limits. The Chapter believes its cash and cash equivalents are not exposed to any significant credit risk.

The Chapter considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Property, Equipment and Depreciation

Property and equipment are stated at cost or, if donated, at the fair value at the date of receipt. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets. It is the Chapter's policy to capitalize property and equipment over \$500. Lesser amounts are expensed.

Donated Vehicle Inventory

The Chapter regularly receives donated vehicles, which are held for sale at auction or sold for scrap. The Chapter uses historical data from prior sales to establish an average value per vehicle.

Income Taxes

The Chapter qualifies as a charitable organization as defined by Internal Revenue Code (Code) Section 501(c)(3) and, accordingly, is exempt from income tax under Section 501(a) of the Code. In addition, the Internal Revenue Service has determined the Chapter is not a private foundation within the meaning of Section 509(a) of the Code. Since the Chapter is publicly supported, contributions made to the Chapter qualify for the maximum charitable contribution deduction under the Code.

The Chapter follows the provisions of Accounting for Uncertainty in Income Taxes under the Income Taxes Topic of the Codification. The Codification requires the evaluation of tax positions, which include maintaining its tax-exempt status and the taxability of any unrelated business income, and does not allow recognition of tax positions which do not meet a "more-likely-than-not" threshold of being sustained by the applicable tax

(See Independent Auditors' Report)

**NATIONAL MULTIPLE SCLEROSIS SOCIETY, MARYLAND CHAPTER
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

authority. Management does not believe it has taken any tax positions that would not meet this threshold. Accordingly, no interest or penalties related to uncertain tax positions have been accrued in the accompanying financial statements.

The Chapter files federal information returns and is subject to audits by major tax authorities; however, no audits for any tax period are currently in progress. Management believes the Chapter is no longer subject to such audits for years prior to 2011.

Expense Allocation

Functional expenses that are not specifically attributable to program services or supporting services are allocated by management based on various allocation factors.

Allocation of Joint Costs

The Chapter incurred joint costs of approximately \$199,756 and \$142,941 for the years 2014 and 2013, respectively, for information materials and activities that included fundraising appeals.

These joint costs were allocated as follows:

	<u>2014</u>	<u>2013</u>
Fundraising	\$ 120,433	\$ 73,368
Program	<u>79,323</u>	<u>69,573</u>
Total Costs	<u>\$ 199,756</u>	<u>\$142,941</u>

Donated Goods and Services

Donated goods and services, including public service announcements, used by the Chapter in programs, special events, and supporting services are reflected as in-kind contributions and expensed in the accompanying financial statements at their estimated fair value at the date of receipt.

Donated public service announcements during the years ended September 30, 2014 and 2013 totaled \$119,476 and \$81,902, respectively, and are reflected as program services and fundraising expense in the accompanying Statements of Activities.

(See Independent Auditors' Report)

**NATIONAL MULTIPLE SCLEROSIS SOCIETY, MARYLAND CHAPTER
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

The Chapter's success in conducting its mission is highly dependent on attracting committed volunteers to serve in various capacities. For the years ended September 30, 2014 and 2013, a substantial number of volunteers have donated approximately 13,500 and 11,700 hours, respectively, to serving on the Chapter Board of Directors, assisting in Chapter program services, volunteering at Chapter fundraising events, assisting in the office and serving on various committees of the Chapter. No amounts have been reflected in the accompanying financial statements for contributed time since the services do not require specialized skills.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was \$200,650 and \$139,175 during the years ended September 30, 2014 and 2013, respectively, consisting of \$119,476 and \$81,902, respectively, in donated public service announcements.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

2. CONTRIBUTIONS RECEIVABLE

The Chapter has contributions receivable from donors which support the Chapter's programs. Contributions receivable at September 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Unrestricted Contributions Receivable	\$ 14,999	\$ 24,576
Contributions Receivable for Promise 2010	2,000	2,000
Contributions Receivable Temporarily Restricted for Research	625	1,000
Less: Allowance for Uncollectible Contributions	<u>2,000</u>	<u>2,000</u>
Contributions Receivable, Net	<u>\$ 15,624</u>	<u>\$ 25,576</u>
Current Portion	\$ 15,474	\$ 24,876
Long-Term Portion	<u>150</u>	<u>700</u>
	<u>\$ 15,624</u>	<u>\$ 25,576</u>

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3. PROPERTY AND EQUIPMENT

At September 30, 2014 and 2013, property and equipment are comprised of the following:

	2014	2013
Furniture and Equipment	\$ 112,043	\$ 120,354
Less: Accumulated Depreciation	96,210	84,292
Total	\$ 15,833	\$ 36,062

4. RETIREMENT PLANS

The Chapter participates in National's noncontributory defined contribution retirement plan (Plan) which covers substantially all of the Chapter's employees, based on defined eligibility. Temporary employees and independent contractors are not eligible. Employees are not permitted to make any pre- or after-tax contributions to the Plan. Employees become eligible on the first day of the first month after beginning employment, and all covered employees receive a contribution on September 30 each year. Employees are fully vested after five years of service. The contribution percentage for each of the years ended September 30, 2014 and 2013, as determined by National's President and Chief Executive Officer, was 3% of Chapter employees' gross salaries. In accordance with the Plan provisions, contributions are first offset by forfeitures of unvested Chapter contributions for terminated participants. During the years ended September 31, 2014 and 2013, the Chapter contributed approximately \$4,000 and \$23,000, respectively, to the Plan.

The Chapter also participates in a tax-deferred group annuity plan subject to Section 403(b) of the Code. Employees may contribute a percentage of their salary not to exceed the maximum permitted by law. The Chapter does not make a contribution to this plan.

5. RESEARCH AND NATIONAL ACTIVITIES EXPENSE

The Chapter calculates the National program expense, which funds research and other National activities, for each chapter in advance of the fiscal year after a complete review by the Budget Review Committee and National Board. The Chapter's National program expense is calculated using the average of the previous two years' audited results as the revenue base. The remittance percentage is subject to adjustment each year to ensure that National meets its programmatic goals, and all donor restrictions are honored. For the years ended September 30, 2014 and 2013, the Chapter's National program expense was \$815,435 and \$821,836, respectively. By setting the Chapter's National program expense in advance, the Chapter and National are in better position to control resources through their respective budgeting and planning processes. For the years ended September 30, 2014 and 2013, the Chapter remitted \$815,435 and

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\$823,709, respectively, to National to support these programs. In addition, the Chapter remitted \$30,001 and \$50,992 during the years ended September 30, 2014 and 2013, respectively, to National for reimbursement of various expenses and services performed.

6. CONTRACT WITH GOVERNMENT AGENCY

The Chapter has a renewable annual developmental services contract with the State of Maryland which expires in June 2015. Funds received must be used in accordance with approved programs. The contract requires the Chapter to deliver certain human, social or educational services defined in the contract. Funds advanced which have not been earned totaled \$98,755 and \$116,547 as of September 30, 2014 and 2013, respectively, and are recorded as deferred revenue.

7. COMMITMENTS

The Chapter leases office space and equipment. The Chapter recognizes rent expense based on recording the total minimum lease payments due under the lease on a straight-line basis over the respective terms of the lease and has recorded a deferred rent liability of \$22,762 and \$31,196 at September 30, 2014 and 2013, respectively. Total rent expense for the years ended September 30, 2014 and 2013 totaled approximately \$99,000 and \$96,000, respectively. The office lease contains a renewal option for five years. The following is a schedule of the future minimum rental payments:

Year Ending September 30, 2015	\$ 102,600
2016	66,700
2017	12,500
2018	4,600
2019	<u>300</u>
	<u>\$ 186,700</u>

8. NET ASSETS

Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. In order to better secure the mission and purpose of the Chapter, in January 2003, the Board of Trustees adopted a policy to designate expendable net assets as a working capital reserve to provide an appropriate level of liquidity and working capital for operating purposes. There were no expendable net assets available to designate for this purpose at September 30, 2014 and 2013.

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Temporarily restricted net assets result from contributions which use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Chapter pursuant to the stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or for specific purposes.

At September 30, 2014 and 2013, the Chapter's temporarily restricted net assets consisted of funds available for the following purposes or periods:

	2014	2013
Charitable Gift Annuity	\$ 89,605	\$ 230,022
Chapter Programs	36,844	10,392
Total	\$ 126,449	\$ 240,414

When both temporarily restricted and unrestricted resources are available for use, it is the Chapter's policy to use temporarily restricted resources first and then unrestricted resources as they are needed.

Permanently restricted net assets result from contributions which use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Chapter's actions. At September 30, 2014 and 2013, the Chapter's permanently restricted net assets consisted of endowment fund investments, the income from which is to be used for respite care and a variety of family services.

9. ENDOWMENT FUNDS

The Chapter's permanent endowment consists of various donor-restricted funds established to provide a source of income to support certain programs. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Chapter has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, the Chapter classifies the original value of gifts donated to the permanent endowment as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Chapter (in a manner consistent with the standard of prudence prescribed by UPMIFA). In accordance with UPMIFA, the Chapter considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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NOTES TO FINANCIAL STATEMENTS, CONTINUED**

- (1) Duration and preservation of the endowment fund
- (2) Purposes of the Chapter and the donor-restricted endowment fund
- (3) General economic conditions
- (4) Possible effect of inflation and deflation
- (5) Expected total return from income and appreciation of investments
- (6) Other resources of the Chapter
- (7) Investment policies of the Chapter

Endowment Fund Composition by Type of Fund as of September 30, 2014 and 2013

	<u>Permanently</u>
Donor-Restricted Endowment Funds	\$ 238,000

Changes in Endowment Funds for the Years Ended September 30, 2014 and 2013

	<u>Temporarily</u>	<u>Permanently</u>	<u>Total</u>
Endowment Funds, October 1, 2012	\$ -	\$ 238,000	\$ 238,000
Investment Income	266	-	266
Appropriation of Endowment Assets for Expenditure	(266)	-	(266)
Endowment Funds, September 30, 2013	-	238,000	238,000
Investment Income	427	-	427
Appropriation of Endowment Assets for Expenditure	(427)	-	(427)
Endowment Funds, September 30, 2014	\$ -	\$ 238,000	\$ 238,000

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may decrease the level the donor or UPMIFA requires the Chapter to retain as a fund of perpetual duration. There were no such deficiencies as of September 30, 2014 and 2013.

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Return Objectives and Risk Parameters

The Chapter has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for operating expenses while seeking to maintain the original value of the endowment assets. Endowment assets include those assets of donor-restricted funds the Chapter must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner intended to produce results that exceed the price and yield results of a composite index which is a weighted blend of the indices that reflects the Chapter's target asset allocation while assuming a low level of investment risk. The Chapter expects its endowment funds, over time, to provide an average rate of return to help fund certain programs. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objective, the Chapter relies on a total return strategy in which investment returns are achieved through current yield (interest and dividends). The Chapter targets an asset allocation that places a greater emphasis on cash and cash equivalents to achieve its long-term return objectives within prudent risk parameters.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Chapter has a policy of allowing earnings to accumulate until appropriated by the Chapter. In establishing this policy, the Chapter considered the long-term expected return on its endowment. Accordingly, over the long term, the Chapter expects the current spending policy will allow its endowment to maintain the original value of the gifts donated to the permanent endowment. This is consistent with the objective to maintain the original value of the endowment assets in perpetuity or for a donor-specified term.

10. DUE FROM HOME OFFICE – GIFT ANNUITY

The Chapter is the beneficiary of a number of split-interest agreements with donors, whereby National controls and invests the donated assets and shares with the donor or the donor's designee income generated from these assets until such time as stated in the agreement (usually upon the death of the donor or the donor's designee).

The value of the Chapter's split-interest agreements was \$89,605 and \$230,022 as of September 30, 2014 and 2013, respectively. Income (loss) derived from the changes in value of these agreements was \$933 and (\$1,665) for the years ended September 30, 2014 and 2013, respectively.

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11. CONTRIBUTIONS RESTRICTED FOR LOCAL USE

During the years ended September 30, 2014 and 2013, the Chapter received contributions of \$141,106 and \$110,838, respectively, which were restricted by the donors to be used solely for local Chapter services and sponsorship for special events.

12. LEVERAGED FUNDS

The Chapter has committed to address the financial impact of multiple sclerosis on individuals and families. Enhancing the value of Chapter funds provided through the Chapter's financial assistance program by leveraging funds from other sources is one very effective way to address the financial needs of individuals with multiple sclerosis and also demonstrates the benefit of collaborations and partnerships in addressing those needs. During the years ended September 30, 2014 and 2013, the Chapter was able to leverage \$42,837 and \$30,461, respectively, on behalf of individuals with multiple sclerosis.

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