NATIONAL MULTIPLE SCLEROSIS SOCIETY
(NATIONAL HEADQUARTERS) AND AFFILIATE

Consolidated Financial Statements
Years Ended September 30, 2009 and 2008
With Report of Independent Auditors

NATIONAL MULTIPLE SCLEROSIS SOCIETY
(NATIONAL HEADQUARTERS AND AFFILIATE)
Years Ended September 30, 2009 and 2008

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Mitchell & Titus

Mitchell & Titus, LLP
One Battery Park Plaza
New York, NY 10004-1461

Phone: (212) 709-4500
Fax: (212) 709-4680
www.mitchelltitus.com

REPORT OF INDEPENDENT AUDITORS

Board of Directors
National Multiple Sclerosis Society
(National Headquarters)

We have audited the accompanying consolidated statement of financial position of the National Multiple Sclerosis Society (National Headquarters) and Affiliate (collectively, National Headquarters) as of September 30, 2009, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of National Headquarters' management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of National Headquarters for the year ended September 30, 2008, were audited by other auditors whose report dated June 23, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of National Headquarters' internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of National Headquarters' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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 consolidated financial position of the National Multiple Sclerosis Society (National Headquarters) and Affiliate at September 30, 2009, and the consolidated changes in their net assets and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Mitchell & Titus, LLP

July 23, 2010

NATIONAL MULTIPLE SCLEROSIS SOCIETY
(NATIONAL HEADQUARTERS) AND AFFILIATE
Consolidated Statements of Financial Position
Years Ended September 30, 2009 and 2008

	2009	2008
ASSETS		
Current assets		
Cash and cash equivalents	$ 10,452,975	$ 13,990,415
Contributions receivable from Chapters and others	818,242	1,088,106
Due from Chapters for National Headquarters' activities, campaign materials and advances, less allowance of approximately $2,806,000 and $1,125,000 at September 30, 2009 and 2008, respectively	13,196,477	11,525,833
Prepaid expenses, other assets and other receivables, less allowance of approximately $32,000 and $57,000 at September 30, 2009 and 2008, respectively	2,714,695	2,476,757
Total current assets	27,182,389	29,081,111
Non-current assets		
Contributions receivable from Chapters and others – long-term portion	1,198,364	1,356,405
Investments, at fair value	26,099,523	25,327,638
Beneficial interests in trusts	445,478	530,019
Property and equipment, net	6,947,259	8,265,853
Total noncurrent assets	34,690,624	35,479,915
Total assets	$ 61,873,013	$ 64,561,026

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

NATIONAL MULTIPLE SCLEROSIS SOCIETY
(NATIONAL HEADQUARTERS) AND AFFILIATE
Consolidated Statements of Financial Position
Years Ended September 30, 2009 and 2008

	2009	2008
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 4,469,178	$ 6,861,103
Grants payable	32,151,836	35,991,131
Due to Chapters	2,174,389	1,241,201
Deferred income	697,576	83,550
Total current liabilities	39,492,979	44,176,985
Noncurrent liabilities		
Long-term supplemental retirement benefit payable	102,479	119,302
Deferred rent	2,311,567	2,237,410
Due to Chapters – long-term portion	2,642,607	2,837,314
Liability to annuitants	2,242,712	2,252,627
Total non-current liabilities	7,299,365	7,446,653
Total liabilities	46,792,344	51,623,638
Commitments		
Net assets		
Unrestricted	2,273,178	752,722
Temporarily restricted	9,172,658	8,549,833
Permanently restricted	3,634,833	3,634,833
Total net assets	15,080,669	12,937,388
Total liabilities and net assets	$ 61,873,013	$ 64,561,026

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

NATIONAL MULTIPLE SCLEROSIS SOCIETY
(NATIONAL HEADQUARTERS) AND AFFILIATE
Consolidated Statement of Activities
Year Ended September 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS				
Support				
Contributions from Chapters	$ 53,111,863	$ 10,540,359	$ -	$ 63,652,222
Contributions for research and development	-	1,651,877	-	1,651,877
Dues and contributions from members and others	23,371,915	328,000	-	23,699,915
Federal grant	495,285	-	-	495,285
Federal Services Campaign for National Health agencies	31,778	-	-	31,778
Revenue				
Advertising, program fees and other revenue	2,322,670	-	-	2,322,670
Investment return	648,027	360,740	-	1,008,767
Total support and revenue	79,981,538	12,880,976	-	92,862,514
Net assets released from restrictions	12,258,151	(12,258,151)	-	-
Total support, revenue and reclassifications	92,239,689	622,825	-	92,862,514
EXPENSES				
Program services				
Research and research fellowships	35,683,288	-	-	35,683,288
Client and community services	8,828,155	-	-	8,828,155
Professional education and training	3,735,974	-	-	3,735,974
Public education	4,766,570	-	-	4,766,570
Services to Chapters	19,106,322	-	-	19,106,322
Total program services	72,120,309	-	-	72,120,309
Supporting services		-	-	
Fundraising	6,986,461	-	-	6,986,461
Management and general	5,773,478	-	-	5,773,478
Total supporting services	12,759,939	-	-	12,759,939
Payments to Chapters	5,838,985	-	-	5,838,985
Total expenses	90,719,233	-	-	90,719,233
Change in net assets	1,520,456	622,825	-	2,143,281
Net assets at beginning of year	752,722	8,549,833	3,634,833	12,937,388
Net assets at end of year	$ 2,273,178	$ 9,172,658	$ 3,634,833	$ 15,080,669

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

NATIONAL MULTIPLE SCLEROSIS SOCIETY
(NATIONAL HEADQUARTERS) AND AFFILIATE
Consolidated Statement of Activities
Year Ended September 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS				
Support				
Contributions from Chapters	$ 59,063,726	$ 11,950,179	$ -	$ 71,013,905
Contributions for research and development	-	965,837	-	965,837
Dues and contributions from members and others	30,843,796	434,400	-	31,278,196
Federal grant	496,855	-	-	496,855
Federal Services Campaign for National Health agencies	35,215	-	-	35,215
Revenue				
Advertising, program fees and other revenue	5,676,641	-	-	5,676,641
Investment return and other	(3,148,434)	(64,861)	-	(3,213,295)
Total support and revenue	92,967,799	13,285,555	-	106,253,354
Net assets released from restrictions	13,708,598	(13,708,598)	-	–
Total support, revenue and reclassifications	106,676,397	(423,043)	-	106,253,354
EXPENSES				
Program services				
Research and research fellowships	45,078,981	-	-	45,078,981
Client and community services	9,523,188	-	-	9,523,188
Professional education and training	7,885,334	-	-	7,885,334
Public education	6,024,905	-	-	6,024,905
Services to Chapters	19,797,592	-	-	19,797,592
Total program services	88,309,998	-	-	88,309,998
Supporting services		-	-	
Fundraising	9,170,232	-	-	9,170,232
Management and general	8,027,683	-	-	8,027,683
Total supporting services	17,197,915	-	-	17,197,915
Payments to Chapters	9,566,997	-	-	9,566,997
Total expenses	115,074,910	-	-	115,074,910
Change in net assets	(8,398,513)	(423,043)	-	(8,821,556)
Net assets at beginning of year	9,151,235	8,972,876	3,634,833	21,758,944
Net assets at end of year	$ 752,722	$ 8,549,833	$ 3,634,833	$ 12,937,388

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

NATIONAL MULTIPLE SCLEROSIS SOCIETY
(NATIONAL HEADQUARTERS) AND AFFILIATE
Consolidated Statements of Cash Flows
Years Ended September 30, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,143,281	$ (8,821,556)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	2,535,574	2,513,134
Net realized and unrealized (gain) loss on investments	(921,832)	3,486,092
Beneficial interests in trusts	84,541	190,319
Deferred rent	74,157	613,309
Changes in operating assets and liabilities		
Contributions receivable	427,905	452,466
Due from Chapters	(1,670,644)	4,120,147
Prepaid expenses, other assets and other receivables, net	(237,938)	36,445
Accounts payable and accrued expenses	(2,391,925)	981,078
Grants payable	(3,839,295)	(1,911,022)
Chapters' interest in pooled investments	(194,707)	662,514
Due to Chapters	933,188	(1,945,396)
Deferred income	614,026	(819,614)
Long-term supplemental retirement benefit payable	(16,823)	(15,611)
Liability to annuitants	(9,915)	73,431
Net cash used in operating activities	(2,470,407)	(384,264)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,216,980)	(2,189,295)
Purchases of investments	(50,875)	(184,254)
Proceeds from sales of investments	200,822	3,904,996
Net cash (used in) provided by investing activities	(1,067,033)	1,531,447
Net (decrease) increase in cash and cash equivalents	(3,537,440)	1,147,183
Cash and cash equivalents at beginning of year	13,990,415	12,843,232
Cash and cash equivalents at end of year	$ 10,452,975	$ 13,990,415

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

NATIONAL MULTIPLE SCLEROSIS SOCIETY
(NATIONAL HEADQUARTERS) AND AFFILIATE
Consolidated Statement of Functional Expenses
Year Ended September 30, 2009

	Program Services						Supporting Services				
	Research and Research Fellowships	**Client and Community Services**	**Professional Education and Training**	**Public Education**	**Services to Chapters**	**Total**	**Fund-raising**	**Management and General**	**Total**	**Payments to Chapters**	**Total Expenses**
Research and research fellowship grants	$ 30,623,921	$ -	$ -	$ -	$ -	$ 30,623,921	$ -	$ -	$ -	$ -	$ 30,623,921
Payments to Chapters	-	-	-	-	-	-	-	-	-	5,838,985	5,838,985
Expenses											
Salaries	1,865,803	3,426,145	1,323,203	1,699,640	7,159,279	15,474,070	386,233	1,425,207	1,811,440	-	17,285,510
Retirement and health insurance benefits for employees	236,820	563,942	133,282	227,520	792,079	1,953,643	49,938	164,975	214,913	-	2,168,556
Payroll taxes	126,731	264,277	100,072	123,697	587,167	1,201,944	30,890	119,807	150,697	-	1,352,641
Total salaries and related expenses	2,229,354	4,254,364	1,556,557	2,050,857	8,538,525	18,629,657	467,061	1,709,989	2,177,750	-	20,806,707
Travel	358,346	156,577	155,739	152,772	851,099	1,674,533	42,883	123,846	166,729	-	1,841,262
Professional fees and contract service payments	1,410,122	586,648	472,942	579,769	5,867,276	8,916,757	1,488,635	1,555,043	3,043,678	-	11,960,435
Printing and stationery	105,359	677,580	173,806	605,626	303,252	1,865,623	2,181,192	767,042	2,948,234	-	4,813,857
Dues, subscriptions and reprints	87,482	23,507	23,415	112,799	138,714	385,917	578,379	199,771	778,150	-	1,164,067
Office supplies	13,951	63,811	9,732	17,605	60,277	165,376	4,412	13,064	17,476	-	182,852
Rent and electricity	190,245	778,951	156,147	215,222	964,846	2,305,411	74,080	219,431	293,511	-	2,598,922
Insurance	31,260	120,062	28,756	32,846	161,947	374,871	13,036	38,007	51,043	-	425,914
Postage, trucking and express	31,722	249,529	51,201	329,916	124,521	786,889	1,942,334	625,338	2,567,672	-	3,354,561
Telephone	80,409	235,931	82,345	70,410	402,546	871,641	27,091	74,335	101,426	-	973,067
Conferences and meetings	113,366	273,370	(11,834)	250,661	429,529	1,055,092	34,988	105,569	140,557	-	1,195,649
Specific assistance to individuals and clinics	93,580	355,235	492,189	69,833	35,458	1,046,295	4,337	33,723	38,060	-	1,084,355
Awards and other grants	90,620	263,688	363,458	53,596	66,628	837,990	5,206	28,624	33,830	-	871,820
Sundry	36,370	67,318	18,097	27,752	197,655	347,192	45,214	54,879	100,093	-	447,285
Total expenses before depreciation and amortization	4,872,186	8,106,571	3,572,550	4,569,664	18,142,273	39,263,244	6,908,848	5,548,661	12,457,509		51,720,753
Depreciation and amortization	187,181	721,584	163,424	196,906	964,049	2,233,144	77,613	224,817	302,430	-	2,535,574
Total expenses	5,059,367	8,828,155	3,735,974	4,766,570	19,106,322	41,496,388	6,986,461	5,773,478	12,759,939	-	54,256,327
Total expenses, grants and payments to Chapters	$ 35,683,288	$ 8,828,155	$ 3,735,974	$ 4,766,570	$ 19,106,322	$ 72,120,309	$ 6,986,461	$ 5,773,478	$ 12,759,939	$ 5,838,985	$ 90,719,233

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

NATIONAL MULTIPLE SCLEROSIS SOCIETY
(NATIONAL HEADQUARTERS) AND AFFILIATE
Consolidated Statement of Functional Expenses
Year Ended September 30, 2008

	Program Services						Supporting Services				
	Research and Research Fellowships	**Client and Community Services**	**Professional Education and Training**	**Public Education**	**Services to Chapters**	**Total**	**Fund-raising**	**Management and General**	**Total**	**Payments to Chapters**	**Total Expenses**
Research and research fellowship grants	$ 39,267,025	$ -	$ -	$ -	$ -	$ 39,267,025	$ -	$ -	$ -	$ -	$ 39,267,025
Payments to Chapters	-	-	-	-	-	-	-	-	-	9,566,997	9,566,997
Expenses											
Salaries	1,940,227	3,397,662	1,844,869	1,689,244	6,563,737	15,435,739	471,072	1,346,929	1,818,001	-	17,253,740
Retirement and health insurance benefits for employees	345,546	619,952	247,381	282,019	1,117,321	2,612,219	79,599	221,171	300,770	-	2,912,989
Payroll taxes	125,408	240,320	124,838	112,393	462,963	1,065,922	32,253	92,818	125,071	-	1,190,993
Total salaries and related expenses	2,411,181	4,257,934	2,217,088	2,083,656	8,144,021	19,113,880	582,924	1,660,918	2,243,842	-	21,357,722
Travel	403,693	460,419	395,741	276,257	1,187,518	2,723,628	93,894	216,679	310,573	-	3,034,201
Professional fees and contract service payments	1,412,063	1,555,840	880,662	1,203,739	6,282,645	11,334,949	2,432,799	2,288,444	4,721,243	-	16,056,192
Printing and stationery	156,554	604,640	314,650	818,097	379,098	2,273,039	3,144,297	1,633,939	4,778,236	-	7,051,275
Dues, subscriptions and reprints	113,291	52,426	56,400	189,526	235,139	646,782	456,833	269,785	726,618	-	1,373,400
Office supplies	31,314	49,974	41,436	30,946	73,549	227,219	5,909	16,699	22,608	-	249,827
Rent and electricity	331,396	418,084	185,808	226,355	691,548	1,853,191	54,546	221,359	275,905	-	2,129,096
Insurance	44,071	130,619	54,237	65,981	191,381	486,289	9,419	42,039	51,458	-	537,747
Postage, trucking and express	69,456	291,419	141,530	502,972	219,825	1,225,202	2,186,857	1,125,978	3,312,835	-	4,538,037
Telephone	84,172	190,066	82,406	68,506	340,475	765,625	21,371	65,078	86,449	-	852,074
Conferences and meetings	150,212	300,937	2,267,908	201,567	744,509	3,665,133	64,561	130,514	195,075	-	3,860,208
Specific assistance to individuals and clinics	116,306	414,363	577,118	32,600	38,605	1,178,992	4,657	41,914	46,571	-	1,225,563
Awards and other grants	68,855	171,573	299,289	16,740	77,709	634,166	5,217	22,803	28,020	-	662,186
Sundry	157,278	66,334	136,992	62,261	267,822	690,707	40,735	68,785	109,520	-	800,225
Total expenses before depreciation and amortization	5,549,842	8,964,628	7,651,265	5,779,223	18,873,844	46,818,802	9,104,019	7,804,934	16,908,953	-	63,727,753
Depreciation and amortization	262,114	558,560	234,069	245,682	923,748	2,224,173	66,213	222,749	288,962	-	2,513,135
Total expenses	5,811,956	9,523,188	7,885,334	6,024,905	19,797,592	49,042,973	9,170,232	8,027,683	17,197,915	-	66,240,888
Total expenses, grants and payments to Chapters	$ 45,078,981	$ 9,523,188	$ 7,885,334	$ 6,024,905	$ 19,797,592	$ 88,309,998	$ 9,170,232	$ 8,027,683	$ 17,197,915	$ 9,566,997	$ 115,074,910

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

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

The National Multiple Sclerosis Society (the Society) is a national not-for-profit health agency dedicated to ending the devastating effects of multiple sclerosis. The Society consists of its National Headquarters (National Headquarters), Fast Forward, LLC (Fast Forward) and 53 chartered chapters (the Chapters) throughout the country, each with a separate Board of Trustees. National Headquarters' principal programs include the research and training program, which annually awards research grants, dissemination of information and coordination of programs and services to its Chapters. Services to Chapters include providing support for chapter development, campaign development, fundraising, materials and supplies and other services as provided under the related arrangements. Services provided by the Chapters include information and referral, counseling, education, advocacy and equipment assistance.

Principles of Consolidation

The accompanying consolidated financial statements consist of the accounts of National Headquarters and Fast Forward, a not-for-profit limited liability company of which National Headquarters is the sole member. The accounts of the Chapters, over which National Headquarters does not have control, either by majority ownership or a majority voting interest in the respective Boards of Trustees, are not included in the consolidated financial statements. See Note 14 for a summary of the chapters' financial position and operating results.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Net Asset Classifications

Resources for various purposes are classified for accounting and financial reporting purposes into net asset classes established according to their nature and purpose as follows:

Unrestricted net assets: Consist of resources available for the support of National Headquarters' operations. The unrestricted net assets may be used at the discretion of National Headquarters' management and the Board of Directors.

Temporarily restricted net assets: Represent amounts restricted by donors and grantors for specific activities of National Headquarters or to be used at some future date.

Permanently restricted net assets: Contain donor-imposed restrictions that stipulate that the resources are to be maintained permanently. Income earned on permanently restricted net assets is available to be used in the unrestricted or temporarily restricted net asset class, based on stipulations by the donors.

Revenue Recognition

All unconditional contributions are recorded as revenue when received at their fair value. Commencing in fiscal 2009, the fair value of long-term contributions receivable is 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. Long-term contributions received prior to fiscal 2009 are measured at fair value based on the present value of cash flows utilizing risk-free discount rates. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. All contributions are considered available for unrestricted use unless specifically restricted by the donor. National Headquarters records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time. When donor restrictions expire, i.e., when a time or purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statements of activities as net assets released from restrictions.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue Recognition *(continued)*

Legacies and bequests are recognized when an unassailable right to the gift has been established by the court and the proceeds are measurable.

Allowance for Doubtful Accounts

National Headquarters maintains an allowance for doubtful accounts for estimated losses that may result from the inability of Chapters or advertisers to make payment. Such allowances are based on several factors, including, but not limited to, historical experience and the financial condition of the Chapters or advertisers.

Expense Allocations

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

Research Grants

Research grants are recognized in accordance with defined payment schedules, and as the related conditions are met. Research grants, which are generally three years in length, are subject on an annual basis to revocation rights by National Headquarters and the continued qualification of grantees, among other things. National Headquarters' policy regarding the recognition of grants payable is to include only those amounts for which a specific grantee is identified.

Payments made under sponsored research agreements (SRAs) are recognized as expense, as services or research and development activities are performed by the funded entities in accordance with the terms of the SRAs. Funding commitments by Fast Forward, for which future payments are contingent upon achieving certain milestones set forth in the SRAs, are not recognized in the accompanying consolidated financial statements.

Cash and Cash Equivalents

National Headquarters considers highly liquid investments with maturities of three months or less when purchased, other than those held in the investment portfolio, to be cash equivalents.

At September 30, 2009 and 2008, approximately 88% and 85%, respectively, of cash and cash equivalents were held by one financial institution.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Due from Chapters and Contributions from Chapters

National Headquarters and its Chapters have agreements under which a portion of contributions received by Chapters is shared with National Headquarters. Such portion of the contributions, which amounted to approximately $63,652,000 and $71,014,000 for the years ended September 30, 2009 and 2008, respectively, is net of an agreed-upon fundraising allowance of 20% where appropriate. Amounts not remitted by Chapters are recorded by National Headquarters as due from Chapters for national activities. The Chapters' share of contributions received directly by National Headquarters is offset by the respective Chapter's receivable. The Chapters, in turn, reflect their share of the contribution as revenue and a reduction to their liability to National Headquarters. Multiyear contributions from Chapter activities that are restricted to National Headquarters are reflected as an expense by the Chapter and as a contribution by National Headquarters in the year that the multiyear contribution is made.

Investments and Investment Income

Investments in mutual funds, equity, and debt securities are carried at their fair values, which are based on published unit values or quoted market prices. Investments in certificates of deposit are carried at cost, which approximates fair value. Donated securities are recorded at their quoted market value on the date received. Warrants received in connection with the funding of sponsored research agreements are stated at their estimated fair value. Income earned from investments, including realized and unrealized gains and losses, is recorded in the net asset class owning the assets, with the exception of permanently restricted net assets. Income earned from permanently restricted investments, including realized and unrealized gains and losses, is recorded as unrestricted or temporarily restricted based on stipulations by the donor.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Split-Interest Agreements and Beneficial Interests in Trusts

The Society is the beneficiary in a number of split-interest agreements with donors, whereby National Headquarters 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). At that time, the remaining assets are shared between the chapter designated by the donor and National Headquarters. Generally, the chapter receives 60% of the amount distributed and National Headquarters receives 40%, unless otherwise designated by the donor. National Headquarters records contribution income for its share and a liability for amounts payable to annuitants and for the chapter's share, at fair value, using an actuarial calculation at the time of the gift. The fair value of the liability to annuitants is accreted to the amount payable to the annuitants over their life expectancies and adjustments are made annually for changes in mortality, if any.

In other situations where assets are controlled and invested by an independent third party, National Headquarters records a beneficial interest in trust and contribution income for its share of the assets at fair value based on the present value of the estimated future distributions to be received by National Headquarters over the expected term of the respective agreements. At September 30, 2009 and 2008, National Headquarters' beneficial interests in such trusts were approximately $445,000 and $530,000, respectively.

Property and Equipment

Property and equipment is carried at cost or, if donated, at fair value on the date received. Property and equipment other than leasehold improvements are depreciated on the straight-line basis over the respective estimated useful lives of the assets, which range from three to five years. Leasehold improvements are amortized over the term of the related lease or the estimated useful life of the improvement, whichever is shorter.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Donated Services

Highly qualified volunteers serving on peer review research committees have donated their time and efforts to the Society. These contributed services were valued at approximately $557,000 and $358,000 for the years ended September 30, 2009 and 2008, respectively, and have been recognized as support (dues and contributions from members and others) and expense in the consolidated statements of activities. Other volunteers have also donated significant time to the Society's program services and fundraising campaigns. These services were not reflected in the accompanying consolidated statements of activities because they do not meet the necessary criteria for recognition under U.S. generally accepted accounting principles (GAAP).

Rent Expense

Rent expense is recorded on the straight-line basis over the term of the leases. The difference between rental payments made under the leases and rent expense calculated on the straight-line basis is recorded as prepaid rent or deferred rent liability.

New Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162*. SFAS No. 168 was codified as Accounting Standards Codification (ASC) Topic 105-10 and replaced SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*, to establish the FASB ASC as the primary source of authoritative, non-governmental GAAP. As the ASC was not intended to change or alter existing GAAP, it did not have any impact on National Headquarters' consolidated financial statements.

During fiscal 2009, the accounting standard on fair value measurements became effective for National Headquarters' consolidated financial statements. This standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about the fair value measurements. See Note 5 for more information.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

During fiscal 2009, the accounting standard providing guidance on the classification of net assets associated with donor-restricted endowment funds held by organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) became effective for National Headquarters' consolidated financial statements. UPMIFA is a model act approved by the Uniform Law Commission that serves as a guideline for states to use in enacting legislation. The accounting standard requires additional disclosures about, among other things, endowments (both donor-restricted funds and board-designated funds) for all organizations, including those not yet subject to an enacted version of UPMIFA, the governing board's interpretation of the laws that underlie the organization's net asset classification of donor-restricted endowment funds, the endowment spending policies and its endowment investment policies, including the return objectives, risk parameters and strategies for achieving those objectives. See Note 12 for more information.

In December 2008, the FASB issued an accounting standard that delayed, for National Headquarters and other organizations, the effective date for the accounting for uncertainty in income taxes until fiscal years beginning after December 15, 2008. The accounting standard clarifies the accounting for income taxes by prescribing the minimum standard a tax position is required to meet before being recognized in the financial statements. National Headquarters has not taken any uncertain tax positions and believes that the adoption of the accounting standard in fiscal 2010 will not have a material impact, if any, on its consolidated financial statements.

Reclassifications

Certain accounts in the 2008 consolidated financial statements were reclassified to conform to the 2009 presentation.

NOTE 2 TAX-EXEMPT STATUS

National Headquarters qualifies as a charitable organization as defined by Internal Revenue Code (IRC) Section 501(c)(3) and, accordingly, is exempt from federal income taxes under IRC Section 501(a). Additionally, since National Headquarters is publicly supported, contributions to National Headquarters qualify for the maximum charitable contribution deduction under the IRC. National Headquarters is also exempt from state and local income taxes. Fast Forward, its consolidated not-for-profit affiliate, derives its tax exemption from National Headquarters and is treated as a "disregarded entity" for tax purposes.

NOTE 3 CONTRIBUTIONS RECEIVABLE FROM CHAPTERS AND OTHERS

Contributions receivable from Chapters and others as of September 30 were due to be collected as follows:

	2009	2008
Less than one year	$ 818,242	$ 1,088,106
One to five years	1,198,364	1,356,405
Total	$ 2,016,606	$ 2,444,511

Those receivables that are due in more than one year have been discounted to their present value using discount rates ranging from 2.0% to 4.25%. The related discounts amounted to $124,444 and $204,523 at September 30, 2009 and 2008, respectively.

NOTE 4 INVESTMENTS

A summary of National Headquarters' investments at September 30 is as follows:

	2009	2008
Cash and cash equivalents	$ 2,630,955	$ 2,273,858
Certificates of deposit	250,000	250,000
Equities	11,782,497	12,609,278
Fixed-income mutual funds	99,228	93,683
Fixed-income securities	7,689,315	6,644,782
Warrants	308,567	-
Investments related to charitable gift annuities		
California	663,537	690,312
Maryland	378,711	369,749
New York	250,977	350,745
All other states	2,039,736	2,039,231
Other	6,000	6,000
Total	$ 26,099,523	$ 25,327,638

NOTE 4 INVESTMENTS *(continued)*

The underlying investments of charitable gift annuities comprise U.S. government and agencies fixed-income securities and mutual funds (carried at fair value based on quoted market prices or published unit values). The related liability to annuitants at September 30, 2009 and 2008 amounted to $2,242,712 and $2,252,627, respectively, based on a discount rate of 6% per annum. State-mandated insurance reserves related to these arrangements are maintained at the required levels.

Investments include certain Chapters' ownership interests, which amounted to approximately $1,911,000 and $1,988,000 as of September 30, 2009 and 2008, respectively. The Chapters' ownership interests are included in due to Chapters – long-term portion in the accompanying consolidated statements of financial position.

The components of National Headquarters' investment return in the accompanying consolidated statements of activities are as follows:

	Year Ended September 30	
	2009	**2008**
Interest and dividend income	$ 86,935	$ 272,797
Net realized and unrealized gain (loss) on investments	921,832	(3,486,092)
Total	$ 1,008,767	$ (3,213,295)

The change in unrealized gain on investments relating to charitable gift annuities was a decrease of $216,076 and $628,385 for fiscal 2009 and 2008, respectively.

NOTE 5 FAIR VALUE MEASUREMENTS

National Headquarters accounts for fair value measurements under the accounting standard that establishes a hierarchy for the inputs used to measure fair value based on the nature of the data input, which generally range from quoted prices for identical instruments in a principal trading market (Level 1) to estimates determined using related market data (Level 3). Multiple inputs may be used to measure fair value.

Level 1: Measurements that are most observable are based on quoted prices of identical instruments obtained from principal markets in which they are traded. Closing prices are both readily available and representative of fair value. Market transactions occur with sufficient frequency and volume to ensure liquidity.

NOTE 5 FAIR VALUE MEASUREMENTS *(continued)*

Level 2: Measurements derived indirectly from observable inputs or from quoted prices from markets that are less liquid. Measurements may consider inputs that other market participants would use in valuing a portfolio, quoted market prices for similar securities, interest rates, credit risks and others.

Level 3: Measurements that are least observable are estimated from related market data, determined from sources with little or no market activity for comparable contracts, or are positions with longer durations.

The following table provides the fair value hierarchy of National Headquarters' financial instruments as of September 30, 2009:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 2,574,760	$ -	$ -	$ 2,574,760
Investments				
Cash equivalents	2,630,955	-	-	2,630,955
Certificates of deposit	-	250,000	-	250,000
Equities	11,782,497	-	-	11,782,497
Fixed-income mutual funds	99,228	-	-	99,228
Fixed-income securities	7,689,315	-	-	7,689,315
Warrants	-	-	308,567	308,567
Investments related to charitable gift annuities				
Cash equivalents	170,947	-	-	170,947
U.S. Treasuries	-	532,084	-	532,084
Fixed-income mutual funds	1,427,066	-	-	1,427,066
Equity mutual funds	1,202,864	-	-	1,202,864
Other	-	6,000	-	6,000
Beneficial interest in trusts	-	-	445,478	445,478
Total	$ 27,577,632	$ 788,084	$ 754,045	$ 29,119,761

Beneficial interests in trusts are stated at fair value using level 3 inputs based on the present value of the estimated future distributions to be received by National Headquarters over the expected term of the respective agreements.

Warrants, which were received in 2009 under the SRAs as discussed in Note 9, are valued using Level 3 inputs. The valuation of $308,567, which represents the unrealized gain on the warrants for fiscal year 2009, was based primarily on the estimation and allocation of enterprise value among the equity classes of each of the companies that issued the warrants, using acceptable valuation approaches for privately held early-stage companies.

NOTE 5 FAIR VALUE MEASUREMENTS *(continued)*

The changes in fair value of investments measured with level 3 inputs follow:

	Warrants	Beneficial Interests in Trusts	Total
Fair value at beginning of year	$ -	$ 530,019	$ 530,019
Change in unrealized gain	308,567	-	308,567
Change in value of beneficial interests in trusts charged to	-		
Dues and contributions from members and others	-	(39,653)	(39,653)
Due to Chapters – long-term portion		(44,888)	(44,888)
Fair value at end of year	$ 308,567	$ 445,478	$ 754,045

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment at September 30 consisted of the following:

	2009	2008
Computer hardware and purchased software	$ 28,029,737	$ 26,823,747
Furniture and fixtures	1,354,067	1,354,067
Equipment	891,259	880,269
Leasehold improvements	2,273,104	2,273,104
	32,548,167	31,331,187
Less: accumulated depreciation and amortization	25,600,908	23,065,334
Net	$ 6,947,259	$ 8,265,853

NOTE 7 PENSIONS

National Headquarters maintains a non-contributory defined contribution retirement plan that covers all eligible employees of National Headquarters and participating Chapters. Employer contribution to the plan is determined and authorized by the President and Chief Executive Officer of the Society. No contributions were authorized for the year ended September 30, 2009. Pension expense related to the plan for the year ended September 30, 2008, which was established at 7.0% of gross annual salary, was approximately $1,006,000.

NOTE 8 LEASES

National Headquarters currently leases offices in New York City and Washington, D.C. under operating leases that expire on December 31, 2021 and April 30, 2014, respectively. In addition, National Headquarters leases premises for its Denver-based Training and Resource Center under an operating lease that expires on January 31, 2018. The terms of the leases include provisions for certain lease concessions and rent escalations at periodic intervals over the lives of the leases.

National Headquarters has sublet a portion of its premises in New York City to the New York City Chapter and a portion of its premises in Denver to the Colorado Chapter under non-cancelable sublease agreements. The subleases are co-terminus with the respective leases.

Rent expenses computed on the straight-line basis were approximately $2,297,000 and $2,129,000 for the years ended September 30, 2009 and 2008, respectively. Sublease income of approximately $500,000 and $412,000 for the years ended September 30, 2009 and 2008, respectively, is included in advertising, program fees and other revenue in the consolidated statements of activities. Deferred rent liability at September 30, 2009 and 2008 was approximately $2,312,000 and $2,237,000, respectively.

Approximate future minimum lease commitments and related sublease income are as follows:

	Lease Payments	Sublease Income
Fiscal year ending September 30		
2010	$ 1,972,000	$ 405,000
2011	1,988,000	408,000
2012	2,091,000	411,000
2013	2,137,000	435,000
2014	2,105,000	445,000
Thereafter	12,742,000	2,805,000
Total	$ 23,035,000	$ 4,909,000

NOTE 9 RESEARCH AND DEVELOPMENT ACTIVITIES

Research and Fellowship Grants

The Society's program services include funding for research and fellowship projects to be conducted in the future, generally over a period of three years. Commitments for research and fellowship projects approved for funding in fiscal 2010 have been recorded as of September 30, 2009, and are included in grants payable in the accompanying consolidated statements of financial position. As of September 30, 2009, the outstanding commitments for research and fellowship projects beyond fiscal 2010 total approximately $25,694,000, and are scheduled for funding approximately as follows: 2011 – $15,621,000; 2012 – $8,027,000; 2013 – $1,590,000; and 2014 – $456,000. These projects will be funded by unrestricted net assets and support and revenue to be generated by National Headquarters and its Chapters. Commitments for research and fellowship projects are subject to, among other things, revocation rights by National Headquarters, the continued qualifications of grantees and the satisfaction by the grantees of prior conditions before payment.

Sponsored Research Agreements

During fiscal 2009, Fast Forward entered into separate SRAs with certain biotechnology companies, whereby it agreed to fund specified research activities related to the discovery and development of drugs for the control or cure of multiple sclerosis. For the year ended September 30, 2009, payments under the SRAs totaled approximately $732,000, of which $308,000 has been charged to expense and $424,000 is included in prepaid expenses in the accompanying consolidated statements of position. Fast Forward is also committed to provide future funding amounting to $318,000 upon completion of certain activities and milestones, subject to the availability of funds. Such commitment excludes $500,000 of a prior commitment to be cancelled in conjunction with the amendment of one of the SRAs as discussed in Note 16.

In connection with funding of the SRAs, Fast Forward received warrants to purchase certain classes of preferred stock of the recipient companies. The warrants were recorded at fair value aggregating $308,567 at September 30, 2009, and have been reflected as investments and unrealized gain on investments in the accompanying consolidated financial statements.

NOTE 9 RESEARCH AND DEVELOPMENT ACTIVITIES *(continued)*

Collaboration Agreement

During fiscal 2009, Fast Forward entered into an agreement with a leading pharmaceutical company (Pharmaco) for the purpose of collaborating on the process of soliciting, evaluating, funding, and managing multiple sclerosis research proposals, leading to an SRA between the selected company (the Funded Entity) and Fast Forward, with Pharmaco as a third-party beneficiary under the SRA, as well as the execution of a third-party agreement between Pharmaco and the Funded Entity. Under the collaboration agreement, Fast Forward is entitled to an annual management fee, any unspent amount of which will be credited against the management fee for the subsequent year or refunded to Pharmaco should the collaboration agreement be terminated under the conditions set forth therein. During fiscal 2009, Fast Forward received a management fee of $800,000, of which approximately $161,000 was spent and recorded as other revenue and research expense in the accompanying consolidated statements of activities.

The collaboration agreement further provides that Pharmaco, subject to certain limitations, fund the research activities established under an SRA executed with a Funded Entity. In addition, Fast Forward will provide a matching amount of up to 10% of Pharmaco's funding, subject to availability of funds. There were no SRAs executed in fiscal 2009 under the collaboration agreement.

NOTE 10 PAYMENTS AND SERVICES TO CHAPTERS

During fiscal 2009 and 2008, National Headquarters made direct payments to its Chapters of approximately $5,839,000 and $9,567,000, respectively, and incurred costs of approximately $19,106,000 and $19,798,000, respectively, in providing services to Chapters. Total benefits to Chapters provided by National Headquarters during fiscal 2009 and 2008 were approximately $24,945,000 and $29,342,000, respectively. The direct payments during fiscal 2009 and 2008 were made under certain agreements regarding National Headquarters' direct mail program (approximately $4,860,000 and $8,576,000, respectively) and contributions and corporate sponsorships (approximately $979,000 and $991,000, respectively).

NOTE 11 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets for research, educational, and other purposes at September 30 were as follows:

	2009	2008
Research		
Contributions from Chapters and others for research	$ 1,658,796	$ 1,336,977
Ralph I. Straus Fund	564,402	552,992
John Dystel Fund for Multiple Sclerosis Research	181,997	175,131
Research Exploration Fund	469,583	469,583
Fast Forward activities	2,687,037	2,662,285
Alan Buegeleisen Research Fund	344,121	274,235
Educational and other		
Annuities for various restricted purposes	865,038	938,560
John Dystel Nursing Fellowship Fund	495,802	750,427
Corporate sponsorships	1,905,882	1,389,643
Total	$ 9,172,658	$ 8,549,833

During fiscal 2009 and 2008, net assets were released from donor restrictions (by incurring expenses satisfying the restrictions) as follows:

	2009	2008
Research grants	$ 10,690,772	$ 12,643,809
Educational and other	1,567,379	1,064,789
Total	$ 12,258,151	$ 13,708,598

NOTE 12 PERMANENTLY RESTRICTED NET ASSETS

National Headquarters' permanently restricted net assets or endowments consist of funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE 12 PERMANENTLY RESTRICTED NET ASSETS *(continued)*

Interpretation of Relevant Law

National Headquarters has interpreted the State of New York Uniform Management of Institutional Funds Act (UMIFA) 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 stipulations to the contrary. As a result of this interpretation, National Headquarters classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, and (2) the original value of subsequent gifts to the permanent endowment. Currently, there are no provisions in donor gift instruments that provide for any other accumulations to permanent endowments. In accordance with UMIFA, National Headquarters considers the following factors in making a determination to appropriate or calculate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. General purposes of the organization 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 organization
7. Investment policy of the organization

National Headquarters' endowment consists of the following donor-restricted endowment funds, the respective incomes of which are restricted as follows:

	2009	2008
Unrestricted operating purposes		
John A. Alexander and Elyza C. Alexander Fund	$ 20,000	$ 20,000
J. MCV. Breed Endowment Fund	351,921	351,921
Restricted for research and education purposes		
Wilfred B. Doner Multiple Sclerosis Student Scholarship Fund	15,500	15,500
Andrea Leeds Fund	1,000,000	1,000,000
Faustino Fund	204,564	204,564
James and Vanita Oelschlager Fund	1,042,848	1,042,848
Stepping Stone Fund	1,000,000	1,000,000
Total	$ 3,634,833	$ 3,634,833

NOTE 12 PERMANENTLY RESTRICTED NET ASSETS *(continued)*

Return Objectives and Risk Parameters

National Headquarters has adopted investment and spending policies for endowment assets that aim to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as provided by the Board of Directors, the endowment assets are invested in a manner intended to produce results that exceed the price and yield results of the S&P 500 Index while assuming a moderate level of investment risk. National Headquarters expects its endowment funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The investment objectives require disciplined and consistent management philosophies that accommodate all those events that are relevant, reasonable and probable. Therefore, periodic review of total rate of return and spending rate objectives is required. Extreme positions or variations in management style are not consistent with these objectives. The Board of Directors has established that, annually, the actual return on investments, including realized and unrealized gains as measured on September 30 of each year, can be transferred to the operating account for the program purposes identified by the donor's restrictions.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net endowment assets at beginning of year	$ (880,002)	$ -	$ 3,634,833	$ 2,754,831
Investment return	53,949	-	-	53,949
Net endowment assets at end of year	$ (826,053)	$ -	$ 3,634,833	$ 2,808,780

NOTE 13 ALLOCATION OF JOINT COSTS

In fiscal 2009 and 2008, National Headquarters incurred joint costs of approximately $8,595,000 and $13,262,000, respectively, for information materials and activities that included fundraising appeals. Such costs were allocated in accordance with the ASC standards as follows: approximately $6,128,000 and $7,920,000 to fundraising expense, approximately $636,000 and $1,395,000 to public education, and approximately $1,831,000 and $3,947,000 to management and general, in fiscal 2009 and 2008, respectively.

NOTE 14 CHAPTER SUMMARIZED FINANCIAL INFORMATION

Summarized financial information for the Society's Chapters at September 30, 2009 and 2008 and for the years then ended, as reported in the Chapters' financial statements that have been audited primarily by other auditors, is approximately as follows:

	2009	2008
Total assets	$ 102,387,000	$ 112,429,000
Total liabilities	$ 36,556,000	$ 34,428,000
Net assets	65,831,000	78,001,000
	$ 102,387,000	$ 112,429,000
Total support, revenue and reclassifications	$ 186,941,000	$ 204,984,000
Total expenses	199,111,000	212,866,000
Change in net assets	$ (12,170,000)	$ (7,882,000)

NOTE 15 LINE OF CREDIT

During fiscal 2009, National Headquarters established a $5 million line of credit for general operating purposes with one of the financial institutions that hold its investments. The line of credit is collateralized by the investments held by such financial institutions, excluding investments representing endowment assets and assets held on behalf of chapters. There are no fees or interest charges related to the line of credit unless funds are drawn against it; draws against the line of credit bear interest at LIBOR plus 0.25%. There have been no draws against the line of credit since its inception. The line of credit does not have an expiration date.

NOTE 16 SUBSEQUENT EVENTS

National Headquarters has evaluated subsequent events through July 23, 2010, the date the financial statements were approved for issuance. As of such date, Fast Forward has entered into SRAs with certain companies and organizations wherein Fast Forward has agreed to provide funding totaling up to approximately $2.9 million for specified research activities based on availability of funds, achievement of certain milestones and other conditions.

NOTE 16 SUBSEQUENT EVENTS *(continued)*

In addition, Fast Forward and one of the biotechnology companies with which it had entered into an SRA in fiscal 2009 are in the process of amending their SRA (see Note 9) which would involve, among other things, the cancellation of Fast Forward's commitment to fund the second $500,000 as set forth in the SRA.

No other subsequent events require disclosure.