NATIONAL MULTIPLE SCLEROSIS SOCIETY
(NATIONAL HEADQUARTERS) AND AFFILIATE

Consolidated Financial Statements
For the Years Ended September 30, 2010 and 2009
With Report of Independent Auditors

NATIONAL MULTIPLE SCLEROSIS SOCIETY
(NATIONAL HEADQUARTERS AND AFFILIATE)
Years Ended September 30, 2010 and 2009

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
National Multiple Sclerosis Society
(National Headquarters)

We have audited the accompanying consolidated statements of financial position of the National Multiple Sclerosis Society (National Headquarters) and Affiliate (collectively, National Headquarters) as of September 30, 2010 and 2009, and the related consolidated statements of activities, cash flows and functional expenses for the years 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 audits.

We conducted our audits 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 audits 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 audits provide 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, 2010 and 2009, and the consolidated changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Mitchell & Titus, LLP

May 12, 2011

NATIONAL MULTIPLE SCLEROSIS SOCIETY
(NATIONAL HEADQUARTERS) AND AFFILIATE
Consolidated Statements of Financial Position
As of September 30, 2010 and 2009

	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents	$ 12,859,211	$ 10,452,975
Contributions receivable from Chapters and others	796,779	818,242
Due from Chapters for National Headquarters' activities, campaign materials, and advances, less allowance of approximately $3,200,000 and $2,806,000 at September 30, 2010 and 2009, respectively	16,976,842	13,196,477
Prepaid expenses, other assets and other receivables, less allowance of approximately $80,000 and $32,000 at September 30, 2010 and 2009, respectively	4,208,248	2,714,695
Total current assets	34,841,080	27,182,389
Non-current assets		
Contributions receivable from Chapters and others – long-term portion	441,661	1,198,364
Investments, at fair value	29,893,470	26,099,523
Beneficial interests in trusts	437,792	445,478
Property and equipment, net	5,725,383	6,947,259
Total non-current assets	36,498,306	34,690,624
Total assets	$ 71,339,386	$ 61,873,013

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

NATIONAL MULTIPLE SCLEROSIS SOCIETY
(NATIONAL HEADQUARTERS) AND AFFILIATE
Consolidated Statements of Financial Position
As of September 30, 2010 and 2009

	2010	2009
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 5,443,372	$ 4,469,178
Grants payable	29,430,642	32,151,836
Due to Chapters	12,662	2,174,389
Deferred income	882,293	697,576
Total current liabilities	35,768,969	39,492,979
Noncurrent liabilities		
Long-term supplemental retirement benefit payable	84,350	102,479
Deferred rent	2,295,066	2,311,567
Due to Chapters – long-term portion	3,150,318	2,642,607
Liability to annuitants	2,238,245	2,242,712
Total non-current liabilities	7,767,979	7,299,365
Total liabilities	43,536,948	46,792,344
Commitments		
Net assets		
Unrestricted	14,177,686	2,273,178
Temporarily restricted	9,879,919	9,172,658
Permanently restricted	3,744,833	3,634,833
Total net assets	27,802,438	15,080,669
Total liabilities and net assets	$ 71,339,386	$ 61,873,013

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

NATIONAL MULTIPLE SCLEROSIS SOCIETY
(NATIONAL HEADQUARTERS) AND AFFILIATE
Consolidated Statement of Activities
For the Year Ended September 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS				
Support				
Contributions from Chapters	$ 58,246,296	$ 16,641,093	$ 250,000	$ 75,137,389
Contributions for research and development	-	1,819,170	-	1,819,170
Dues and contributions from members and others	20,835,738	1,131,314	-	21,967,052
Federal grant	485,200	-	-	485,200
Federal Services Campaign for National Health agencies	60,258	-	-	60,258
Revenue				
Advertising, program fees, and other revenue	2,956,053	-	-	2,956,053
Investment return	3,163,379	151,952	-	3,315,331
Total support and revenue	85,746,924	19,743,529	250,000	105,740,453
Net assets released from restrictions	19,176,268	(19,036,268)	(140,000)	-
Total support, revenue, and reclassifications	104,923,192	707,261	110,000	105,740,453
EXPENSES				
Program services				
Research and research fellowships	36,918,907	-	-	36,918,907
Client and community services	9,007,464	-	-	9,007,464
Professional education and training	2,461,223	-	-	2,461,223
Public education	4,728,055	-	-	4,728,055
Services to Chapters	21,920,021	-	-	21,920,021
Total program services	75,035,670	-	-	75,035,670
Supporting services				
Fundraising	7,298,429	-	-	7,298,429
Management and general	6,425,880	-	-	6,425,880
Total supporting services	13,724,309	-	-	13,724,309
Payments to Chapters	4,258,705	-	-	4,258,705
Total expenses	93,018,684	-	-	93,018,684
Change in net assets	11,904,508	707,261	110,000	12,721,769
Net assets at beginning of year	2,273,178	9,172,658	3,634,833	15,080,669
Net assets at end of year	$ 14,177,686	$ 9,879,919	$ 3,744,833	$ 27,802,438

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

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS				
Support				
Contributions from Chapters	$ 52,584,023	$ 11,068,199	$ -	$ 63,652,222
Contributions for research and development	-	1,490,997	-	1,490,997
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	2,483,550	-	-	2,483,550
Investment return	648,027	360,740	-	1,008,767
Total support and revenue	79,614,578	13,247,936	-	92,862,514
Net assets released from restrictions	12,625,111	(12,625,111)	-	-
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 Statements of Cash Flows
For the Years Ended September 30, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 12,721,769	$ 2,143,281
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Provision for doubtful accounts	442,248	1,675,284
Depreciation and amortization	2,534,961	2,535,574
Net realized and unrealized gains on investments	(2,515,628)	(58,224)
Beneficial interests in trusts	7,686	84,541
Deferred rent	(16,501)	74,157
Changes in operating assets and liabilities		
Contributions receivable	778,166	427,905
Due from Chapters	(4,174,242)	(3,351,767)
Prepaid expenses, other assets and other receivables, net	(1,541,924)	(232,099)
Accounts payable and accrued expenses	974,194	(2,391,925)
Grants payable	(2,721,194)	(3,839,295)
Chapters' interest in pooled investments	507,711	(194,707)
Due to Chapters	(2,161,727)	933,188
Deferred income	184,717	614,026
Long-term supplemental retirement benefit payable	(18,129)	(16,823)
Liability to annuitants	(4,467)	(9,915)
Net cash provided by (used in) operating activities	4,997,640	(1,606,799)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,313,085)	(1,216,980)
Purchases of investments	(2,010,732)	(914,483)
Proceeds from sales of investments	732,413	200,822
Net cash used in investing activities	(2,591,404)	(1,930,641)
Net increase (decrease) in cash and cash equivalents	2,406,236	(3,537,440)
Cash and cash equivalents at beginning of year	10,452,975	13,990,415
Cash and cash equivalents at end of year	$ 12,859,211	$ 10,452,975

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

NATIONAL MULTIPLE SCLEROSIS SOCIETY
(NATIONAL HEADQUARTERS) AND AFFILIATE
Consolidated Statement of Functional Expenses
For the Year Ended September 30, 2010

	Program Services						Supporting Services				
	Research and Research Fellowships	**Client and Community Services**	**Professional Education and Training**	**Public Education**	**Services to Chapters**	**Total**	**Fundraising**	**Management and General**	**Total**	**Payments to Chapters**	**Total Expenses**
Research and research fellowship grants	$ 31,678,521	$ -	$ -	$ -	$ -	$ 31,678,521	$ -	$ -	$ -	$ -	$ 31,678,521
Payments to Chapters	-	-	-	-	-	-	-	-	-	4,258,705	4,258,705
Expenses											
Salaries	1,598,070	3,436,502	757,945	1,431,627	8,038,384	15,262,528	394,644	1,756,473	2,151,117	-	17,413,645
Retirement and health insurance benefits for employees	277,361	629,345	98,015	158,470	876,887	2,040,078	40,880	198,681	239,561	-	2,279,639
Payroll taxes	105,155	267,217	61,032	101,452	615,774	1,150,630	29,348	135,424	164,772	-	1,315,402
Total salaries and related expenses	1,980,586	4,333,064	916,992	1,691,549	9,531,045	18,453,236	464,872	2,090,578	2,555,450	-	21,008,686
Travel	372,090	149,358	91,417	186,684	1,050,086	1,849,635	35,376	207,146	242,522	-	2,092,157
Professional fees and contract service payments	1,787,173	590,532	313,250	1,009,569	6,855,271	10,555,795	1,872,677	1,816,994	3,689,671	-	14,245,466
Printing and stationery	62,389	588,172	82,206	549,804	390,020	1,672,591	2,373,776	702,623	3,076,399	-	4,748,990
Dues, subscriptions, and reprints	65,793	21,164	15,202	76,755	195,189	374,103	357,944	139,842	497,786	-	871,889
Office supplies	12,969	53,907	4,709	10,525	48,513	130,623	2,078	10,802	12,880	-	143,503
Rent and electricity	353,271	562,717	147,452	192,328	1,015,342	2,271,110	49,761	281,106	330,867	-	2,601,977
Insurance	13,367	54,825	8,353	14,323	77,662	168,530	3,483	19,222	22,705	-	191,235
Postage, trucking, and express	30,361	325,451	40,039	353,644	182,991	932,486	1,951,585	558,669	2,510,254	-	3,442,740
Telephone	78,985	260,038	48,233	71,529	446,194	904,979	18,693	92,865	111,558	-	1,016,537
Conferences and meetings	112,017	349,822	62,294	233,611	591,495	1,349,239	39,563	126,072	165,635	-	1,514,874
Specific assistance to individuals and clinics	80,556	510,185	373,941	62,693	102,738	1,130,113	10,274	27,085	37,359	-	1,167,472
Awards and other grants	76,159	327,257	239,085	41,446	104,451	788,398	8,061	22,811	30,872	-	819,270
Sundry	40,167	127,429	21,400	45,714	301,186	535,896	64,411	81,394	145,805	-	681,701
Total expenses before depreciation and amortization	5,065,883	8,253,921	2,364,573	4,540,174	20,892,183	41,116,734	7,252,554	6,177,209	13,429,763	-	54,546,497
Depreciation and amortization	174,503	753,543	96,650	187,881	1,027,838	2,240,415	45,875	248,571	294,546	-	2,534,961
Total expenses	5,240,386	9,007,464	2,461,223	4,728,055	21,920,021	43,357,149	7,298,429	6,425,880	13,724,309	-	57,081,458
Total expenses, grants, and payments to Chapters	$ 36,918,907	$ 9,007,464	$ 2,461,223	$ 4,728,055	$ 21,920,021	$ 75,035,670	$ 7,298,429	$ 6,425,880	$ 13,724,309	$ 4,258,705	$ 93,018,684

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

NATIONAL MULTIPLE SCLEROSIS SOCIETY
(NATIONAL HEADQUARTERS) AND AFFILIATE
Consolidated Statement of Functional Expenses
For the 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**	**Fundraising**	**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.

NOTE 1 ORGANIZATION

The National Multiple Sclerosis Society (the Society), a national not-for-profit health agency, is dedicated to ending the devastating effects of multiple sclerosis. The Society consists of its National Headquarters (National Headquarters), Fast Forward, LLC (Fast Forward), and 48 chartered chapters (the Chapters) throughout the country, each with a separate Board of Trustees. National Headquarters' principal program includes a research and training program, which annually awards research grants, disseminates information and coordinates programs and services for its Chapters. Services provided to Chapters include chapter and 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.

During 2010, several Society Chapters, which included the All America Chapter (All America), implemented a transition plan whereby their activities were transferred to and integrated with other Chapters in the same geographic region. Pursuant to the plan, All America completed the transition during the fiscal year, terminated all of its activities as of September 30, 2010, and allocated its net assets as of such date to National Headquarters and other Chapters. As a result, National Headquarters recorded in the accompanying consolidated financial statements a receivable and a contribution of approximately $1,084,000 from All America, which consists of All America's unrestricted net assets of approximately $748,000, temporarily restricted net assets of $86,000 and permanently restricted net assets of $250,000 as of September 30, 2010.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

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.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) 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.

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. They 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 donor stipulations.

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. Conditional contributions amounted to $800,000 as of September 30, 2010.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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

Fast Forward receives contributions under a collaboration agreement with a pharmaceutical company to fund certain sponsored research agreements (SRAs) entered into with certain organizations for purpose of conducting specified research and development (R&D) activities (see Note 10). Contributions received, which are refundable to the company if not spent for the specified activities, are recorded as support (contributions for R&D) when the activities have been performed or expenditures incurred by the recipient organizations.

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.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Payments made under SRAs are recognized as expense, as services or R&D 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, 2010 and 2009, approximately 92% and 88%, respectively, of cash and cash equivalents were held by one financial institution.

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 $75,137,000 and $63,652,000 for the years ended September 30, 2010 and 2009, 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 against the respective amounts due from Chapters. The Chapters, in turn, reflect their share of the contribution, which reduces 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.

In January 2010, the Board of Directors approved a policy change in the calculation of each chapter's contributions to National Headquarters effective fiscal 2011. Under the new policy, the Society will calculate each chapter's annual contribution for the fiscal year by applying a range of percentages to the average of the annual public support and revenue (the revenue base) for the two fiscal years immediately prior to the preceding fiscal year. To determine the revenue base, in-kind contributions and investment results will be excluded from the calculation. The percentages are subject to an adjustment each year to ensure that the Society meets its programmatic goals and that all donor restrictions are honored.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 SRAs 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 or law.

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, 2010 and 2009, National Headquarters' beneficial interests in such trusts were approximately $438,000 and $445,000, respectively.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 $435,000 and $557,000 for the years ended September 30, 2010 and 2009, 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 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.

Recent Accounting Pronouncement

During fiscal 2010, National Headquarters adopted the accounting standard which 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 the adoption of the accounting standard did not impact the accompanying consolidated financial statements.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Reclassifications

Certain accounts in the 2009 consolidated financial statements were reclassified to conform to the 2010 presentation.

NOTE 3 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 4 CONTRIBUTIONS RECEIVABLE FROM CHAPTERS AND OTHERS

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

	2010	2009
Less than one year	$ 796,779	$ 818,242
One to five years	441,661	1,198,364
Total	$ 1,238,440	$ 2,016,606

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 approximately $55,000 and $124,000 at September 30, 2010 and 2009, respectively.

NOTE 5 INVESTMENTS

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

	2010	2009
Cash equivalents	$ 2,630,219	$ 2,630,878
Certificates of deposit	250,000	250,000
Equities – common stocks, sponsored American depositary receipts, and other equity securities		
Consumer – discretionary	1,665,500	1,256,316
Consumer – staples	1,030,410	403,288
Energy	1,309,903	1,383,160
Financial services	1,606,530	2,097,954
Healthcare	1,222,707	951,338
Industrials	1,512,792	1,177,572
Telecommunications	877,056	570,025
Utilities	699,950	569,012
Information technology	1,854,512	1,846,616
Materials	1,120,106	964,303
Unclassified	468,189	274,475
	13,367,655	11,494,059
Equity mutual fund	269,991	247,218
Fixed income		
U.S. treasury and agency obligations	4,956,565	4,513,275
Mutual funds invested mainly in		
U.S. government and domestic and international corporate and convertible debt securities	1,715,069	1,649,557
Mortgage- and asset-backed securities	1,713,394	1,526,484
Limited maturity bond fund	104,474	99,228
	8,489,502	7,788,544
Commodities – mutual fund	68,688	41,220
Warrants	1,327,945	308,567
Investments related to charitable gift annuities		
Cash equivalents	190,943	170,947
U.S. Treasury and agency obligations	126,610	532,084
Fixed-income mutual funds	1,852,079	1,427,066
Equity mutual funds	1,313,762	1,202,864
	3,483,394	3,332,961
Other	6,076	6,076
Total	$ 29,893,470	$ 26,099,523

NOTE 5 INVESTMENTS *(continued)*

The investments related to charitable gift annuities are further categorized by state as follows:

California	$ 688,810	$ 663,537
Maryland	417,474	378,711
New York	284,856	250,977
All other states	2,092,254	2,039,736
Total	$ 3,483,394	$ 3,332,961

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, 2010 and 2009 amounted to approximately $2,238,000 and $2,243,000, respectively, based on a discount rate of 6% per year. State-mandated insurance reserves related to these arrangements are maintained at the required levels.

Investments include certain Chapters' ownership interests, which amounted to approximately $2,921,000 and $2,409,000 as of September 30, 2010 and 2009, 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:

	2010	**2009**
Interest and dividend income	$ 799,703	$ 950,543
Net realized and unrealized gain on investments	2,515,628	58,224
Total	$ 3,315,331	$ 1,008,767

The change in unrealized gain on investments relating to charitable gift annuities was a decrease of approximately $73,000 and $216,000 for fiscal 2010 and 2009, respectively.

NOTE 6 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.

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.

NOTE 6 FAIR VALUE MEASUREMENTS *(continued)*

The following table provides the fair value hierarchy of National Headquarters' financial instruments as of September 30, 2010 and 2009:

	Level 1	Level 2	Level 3	Total
September 30, 2010				
Cash equivalents	$ 550,418	$ -	$ -	$ 550,418
Investments				
Cash equivalents	2,630,219	-	-	2,630,219
Certificates of deposit	-	250,000	-	250,000
Equities – common stocks, American depositary receipts, and other equity securities	13,367,655	-	-	13,367,655
Equities – mutual fund	269,991	-	-	269,991
Fixed income				
U.S. Treasury and agency obligations	-	4,956,565	-	4,956,565
Mutual funds	3,428,463	-	-	3,428,463
Limited maturity bond fund	104,474	-	-	104,474
Commodities mutual fund	68,688	-	-	68,688
Warrants	-	-	1,327,945	1,327,945
Investments related to charitable gift annuities				
Cash equivalents	190,943	-	-	190,943
U.S. Treasury and agency obligations	-	126,610	-	126,610
Fixed-income mutual funds	1,852,079	-	-	1,852,079
Equity mutual funds	1,313,762	-	-	1,313,762
Other investments	-	-	6,076	6,076
Beneficial interest in trusts	-	-	437,792	437,792
Total	$ 23,776,692	$ 5,333,175	$ 1,771,813	$ 30,881,680

NOTE 6 FAIR VALUE MEASUREMENTS *(continued)*

	Level 1	Level 2	Level 3	Total
September 30, 2009				
Cash equivalents	$ 2,574,760	$ -	$ -	$ 2,574,760
Investments				
Cash equivalents	2,630,878	-	-	2,630,878
Certificates of deposit	-	250,000	-	250,000
Equities – common stocks, American depositary receipts, and other equity securities	11,494,059	-	-	11,494,059
Equities – mutual fund	247,218	-	-	247,218
Fixed income				
U.S. Treasury and agency obligations	-	4,513,275	-	4,513,275
Mutual funds	3,176,041	-	-	3,176,041
Limited maturity bond fund	99,228	-	-	99,228
Commodities mutual fund	41,220	-		41,220
Warrants	-	-	308,567	308,567
Investments related to charitable gift annuities				
Cash equivalents	170,947	-	-	170,947
U.S. Treasury and agency obligations	-	532,084	-	532,084
Fixed-income mutual funds	1,427,066	-	-	1,427,066
Equity mutual funds	1,202,864	-	-	1,202,864
Other investments	-	-	6,076	6,076
Beneficial interest in trusts	-	-	445,478	445,478
Total	$ 23,064,281	$ 5,295,359	$ 760,121	$ 29,119,761

The investments in U.S. Treasury and agency obligations and other investments were previously reported under Level 1 and Level 2, respectively. These were reclassified in the foregoing table to Level 2 and Level 3, respectively, to conform to the 2010 presentation.

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.

NOTE 6 FAIR VALUE MEASUREMENTS *(continued)*

Warrants, which were received in 2010 and 2009 under the SRAs as discussed in Note 9, are valued using Level 3 inputs. The valuation of $1,327,945 and $308,567, respectively, 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.

Changes in fair value of investments measured with Level 3 inputs are as follows:

	Warrants and Options	Beneficial Interests in Trusts	Other	Total
Year ended September 30, 2009				
Fair value at beginning of year	$ -	$ 530,019	$ 6,076	$ 536,095
Change in unrealized gain on				
Investments acquired during the year	308,567	-	-	308,567
Prior-year investments held at year end	-	(84,541)	-	(84,541)
	308,567	(84,541)	-	224,026
Fair value at end of year	$ 308,567	$ 445,478	$ 6,076	$ 760,121
Year ended September 30, 2010				
Fair value at beginning of year	$ 308,567	$ 445,478	$ 6,076	$ 760,121
Change in unrealized gain on				
Investments acquired during the year	770,646	-	-	770,646
Prior-year investments held at year end	248,732	(7,686)	-	241,046
	1,019,378	(7,686)	-	1,011,692
Fair value at end of year	$ 1,327,945	$ 437,792	$ 6,076	$ 1,771,813

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment at September 30 consisted of the following:

	2010	2009
Computer hardware and purchased software	$ 29,032,877	$ 28,029,737
Furniture and fixtures	1,356,076	1,354,067
Equipment	1,199,196	891,259
Leasehold improvements	2,273,104	2,273,104
	33,861,253	32,548,167
Less: Accumulated depreciation and amortization	28,135,870	25,600,908
Net	$ 5,725,383	$ 6,947,259

NOTE 8 PENSIONS

National Headquarters maintains a non-contributory defined contribution retirement plan that covers all eligible employees of National Headquarters and participating Chapters. Employer contributions to the plan are determined and authorized by the President and Chief Executive Officer of the Society. No contributions were authorized for the years ended September 30, 2010 and 2009.

NOTE 9 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 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.

NOTE 9 LEASES *(continued)*

Rent expense computed on the straight-line basis was approximately $2,263,000 and $2,297,000 for the years ended September 30, 2010 and 2009, respectively. Sublease income of approximately $535,000 and $500,000 for the years ended September 30, 2010 and 2009, respectively, is included in advertising, program fees, and other revenue in the consolidated statements of activities. Deferred rent liability at September 30, 2010 and 2009 was approximately $2,295,000 and $2,312,000, respectively.

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

Fiscal Year Ending September 30	Lease Payments	Sublease Income
2011	$ 1,988,000	$ 408,000
2012	2,091,000	411,000
2013	2,137,000	435,000
2014	2,105,000	445,000
2015	2,053,000	449,000
Thereafter	10,689,000	2,357,000
Total	$ 21,063,000	$ 4,505,000

NOTE 10 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 2011 have been recorded as of September 30, 2010, and are included in grants payable in the accompanying consolidated statements of financial position. As of September 30, 2010, the outstanding commitments for research and fellowship projects beyond fiscal 2011 total approximately $25,535,000, and are scheduled for funding as follows: 2012 – $17,623,000; 2013 – $6,410,000; 2014 – $1,450,000; and 2015 – $52,000. These projects are expected to 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 grantees satisfying prior conditions before payment.

NOTE 10 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. Management fees received amounted to $800,000 per year in 2010 and 2009, of which approximately $961,000 and $161,000 was earned and expended during 2010 and 2009, respectively. These amounts were recorded as other revenue and research expense in the accompanying consolidated statements of activities. The unspent portion of the fees, which amounted to $478,000 and $ 639,000 at September 30, 2010 and 2009, respectively, is reflected in deferred income in the accompanying consolidated statements of financial position.

The collaboration agreement further provides that Pharmaco, subject to certain limitations, funds the research activities established under an SRA executed with the Funded Entity. In addition, Fast Forward provides 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. As discussed further below, during 2010, Fast Forward entered into four SRAs with a total funding commitment of approximately $1,430,000, of which $1,300,000 was funded by Pharmaco.

NOTE 10 RESEARCH AND DEVELOPMENT ACTIVITIES *(continued)*

Sponsored Research Agreements

Fast Forward entered into SRAs with selected companies (each an R&D company) engaged in R&D projects aimed at identifying and developing drugs to treat multiple sclerosis. Under the SRAs, Fast Forward agrees to provide funding for specified R&D activities, payable as defined milestones are achieved. Fast Forward funds the SRAs from the public support it receives from donors or through the chapters of the Society and National Headquarters and from Pharmaco under a collaboration agreement as discussed above. In certain SRAs, Fast Forward received warrants or options to purchase ordinary shares, preferred stock, or common stock, of the respective R&D companies. In addition, certain SRAs entitle Fast Forward to royalties upon the achievement of specified milestones.

SRA Fully Funded from Public Support

As of September 30, 2010, Fast Forward had entered into six SRAs funded by public support with total commitments amounting to approximately $2,808,000. Payments to the R&D companies under these SRAs totaled approximately $1,208,000 and $732,000 in 2010 and 2009, respectively. Of these amounts, approximately $548,000 and $308,000 were charged to R&D grants in 2010 and 2009, respectively, and approximately $1,084,000 and $424,000 were recorded as prepaid expense as of September 30, 2010 and 2009, respectively. Outstanding funding commitments under these SRAs at September 30, 2010 totaled approximately $868,000. The change in the fair value of warrants received, which is presented as unrealized gain on investments in the accompanying statements of activities, amounted to approximately $446,000 and $309,000 in 2010 and 2009, respectively. None of the milestones that would require payment of royalties to Fast Forward have been achieved.

SRA Funded Under the Collaboration Agreement

In 2010, Fast Forward entered into four SRAs pursuant to the terms of the collaboration agreement with Pharmaco. Funding commitments under these SRAs aggregate to $1,430,000, of which $1,300,000 was funded by Pharmaco and $130,000 by Fast Forward from public support. Payments to the R&D companies under these SRAs totaled $660,000. Of this amount, approximately $470,000 was charged to R&D grants and approximately $190,000 to prepaid expense at September 30, 2010. Contributions received or due from Pharmaco in 2010 totaled $600,000, of which approximately $427,000 was recognized as revenue. The balance of $173,000 was reported as deferred income at September 30, 2010.

NOTE 10 RESEARCH AND DEVELOPMENT ACTIVITIES *(continued)*

Outstanding funding commitments under these SRAs totaled approximately $770,000. The fair value of warrants received, which is presented as unrealized gain on investments in the accompanying consolidated statements of activities, amounted to $573,000. None of the milestones that would require payment of royalties to Fast Forward have been achieved.

NOTE 11 PAYMENTS AND SERVICES TO CHAPTERS

During fiscal 2010 and 2009, National Headquarters made direct payments to its Chapters of approximately $4,258,000 and $5,839,000, respectively, and incurred costs of approximately $21,920,000 and $19,106,000, respectively, in providing services to Chapters. Total benefits to Chapters provided by National Headquarters during fiscal 2010 and 2009 were approximately $26,178,000 and $24,945,000, respectively. The direct payments during fiscal 2010 and 2009 were made under certain agreements regarding National Headquarters' direct mail program (approximately $3,925,000 and $4,860,000, respectively) and contributions and corporate sponsorships (approximately $333,000 and $979,000, respectively).

NOTE 12 TEMPORARILY RESTRICTED NET ASSETS

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

	2010	2009
Research		
Contributions from Chapters and others for research	$ 905,354	$ 1,658,796
Ralph I. Straus Fund	695,365	564,402
John Dystel Fund for Multiple Sclerosis Research	187,986	181,997
Research Exploration Fund	500,152	469,583
Fast Forward activities	3,270,296	2,687,037
Alan Buegeleisen Research Fund	389,992	344,121
Educational and other		
Annuities for various restricted purposes	969,713	865,038
John Dystel Nursing Fellowship Fund	330,336	495,802
Corporate sponsorships	2,544,659	1,905,882
Weinberg Trust	86,066	-
Total	$ 9,879,919	$ 9,172,658

NOTE 12 TEMPORARILY RESTRICTED NET ASSETS *(continued)*

During fiscal 2010 and 2009, net assets were released from donor restrictions (by incurring expenses satisfying the restrictions) as follows:

	2010	2009
Research grants and expenses	$ 17,489,947	$ 11,218,612
Educational and other	1,546,321	1,567,379
Total	$ 19,036,268	$ 12,785,991

NOTE 13 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 of donor-imposed restrictions.

Interpretation of Relevant Law

On September 17, 2010, the State of New York enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA), a modified version of the Uniform Prudent Management of Institutional Funds Act, which superseded the State of New York Uniform Management of Institutional Funds Act (the prior law). National Headquarters is evaluating the effect of NYPMIFA on the investment, appropriation, and management of its institutional funds and is establishing procedures to comply with its provisions.

During fiscal 2010, National Headquarters continued to manage its institutional funds with a focus on 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, consistent with its interpretation of the prior law. As a result, 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. National Headquarters considers the following factors in making a determination to appropriate or calculate donor-restricted endowment funds:

NOTE 13 PERMANENTLY RESTRICTED NET ASSETS *(continued)*

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
8. Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the organization

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

	2010	2009
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, education, and other services		
Harry and Jeanette Weinberg Foundation, Inc.	250,000	-
Wilfred B. Doner Multiple Sclerosis Student Scholarship Fund	15,500	15,500
Andrea Leeds Fund	860,000	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	$ 3,744,833	$ 3,634,833

Return Objectives and Risk Parameters

During fiscal 2010, National Headquarters maintained its investment and spending policies for endowment assets aimed at providing 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 annual rate of return of approximately 5%. However, actual returns in any given year may vary from this amount.

NOTE 13 PERMANENTLY RESTRICTED NET ASSETS *(continued)*

Spending Policy and How the Investment Objectives Relate to Spending Policy

The investment objectives require disciplined and consistent management philosophies that accommodate all events that are relevant, reasonable, and probable. Therefore, a 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. The following table summarizes the activity in the investment of endowment assets:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Year ended September 30, 2009				
Net endowment assets at beginning of year	$ (1,241,288)	$ -	$ 3,634,833	$ 2,393,545
Investment return	56,059	-	-	56,059
Net endowment assets at end of year	$ (1,185,229)	$ -	$ 3,634,833	$ 2,449,604
Year ended September 30, 2010				
Net endowment assets at beginning of year	$ (1,185,229)	$ -	$ 3,634,833	$ 2,449,604
Amount released from restriction to fund clinical services	140,000	-	(140,000)	-
Amount spent	(140,000)	-	-	(140,000)
Investment return	250,381	-	-	250,381
Net endowment assets at end of year	$ (934,848)	$ -	$ 3,494,833	$ 2,559,985

Permanently restricted endowments with original values totaling approximately $3,255,000 had underlying investments with a fair value of approximately $2,320,000 at September 30, 2010. At September 30, 2009, permanently restricted endowments with original values totaling approximately $3,430,000 had underlying investments with a fair value of approximately $2,245,000.

NOTE 14 ALLOCATION OF JOINT COSTS

In fiscal 2010 and 2009, National Headquarters incurred joint costs of approximately $8,623,000 and $8,595,000, respectively, for information materials and activities that included fundraising appeals. Such costs were allocated in accordance with the Accounting Standards Codification standards as follows: approximately $6,358,000 and $6,128,000 to fundraising expense, approximately $643,000 and $636,000 to public education, and approximately $1,622,000 and $1,831,000 to management and general, in fiscal 2010 and 2009, respectively.

NOTE 15 CHAPTER SUMMARIZED FINANCIAL INFORMATION

Summarized financial information for the Society's Chapters at September 30, 2010 and 2009 and for the years then ended, as reported in the Chapters' financial statements that were audited primarily by other auditors, is approximately as follows:

	2010	2009
Total assets	$ 106,979,000	$ 102,387,000
Total liabilities	$ 43,090,000	$ 36,556,000
Net assets	63,889,000	65,831,000
	$ 106,979,000	$ 102,387,000
Total support, revenue, and reclassifications	$ 194,725,000	$ 186,941,000
Total expenses	196,667,000	199,111,000
Change in net assets	$ (1,942,000)	$ (12,170,000)

NOTE 16 LINE OF CREDIT

National Headquarters has a $5 million line of credit for general operating purposes with one of the financial institutions holding 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 17 SUBSEQUENT EVENTS

National Headquarters has evaluated subsequent events through May 12, 2011, the date the financial statements were approved for issuance. As of that date, Fast Forward has provided an additional $260,000 to an R&D company under an amended SRA. It has also entered into SRAs with an institution and a company wherein Fast Forward has agreed to provide funding totaling up to approximately $706,000 for specified research activities, subject to availability of funds and achievement of certain milestones and other conditions. In addition, Fast Forward executed a joint collaboration agreement with certain European organizations whereby such organizations agreed to fund, up to $1 million, Fast Forward's programs to aid early stage pharmaceutical and biotechnology companies in the development of innovative therapeutic and/or diagnostic strategies for multiple sclerosis and to facilitate the commercial development of research discoveries. The funding will be paid to Fast Forward in three installments over a period of two years commencing October 1, 2010.

There were no other subsequent events that should be accounted for or require disclosure in the accompanying consolidated financial statements.