COMBINED FINANCIAL STATEMENTS (unaudited)

National Multiple Sclerosis Society

Year ended September 30, 2010 with summarized financial information for the year ended September 30, 2009

	2010 Combined	2009 Combined
Assets:		
Cash and Cash Equivalents	\$ 67,585,609	\$ 62,484,510
Investments - at approximate market	60,798,686	54,447,985
Contributions receivable	12,548,816	12,605,316
Prepaid expenses and other assets Fixed Assets, at cost, net of	9,830,748	7,532,018
accumulated depreciation and amortization of		
\$38,917,000 and \$37,350,000 respectively	8,628,118	10,473,420
Total Assets	\$159,391,977	\$147,543,249
Liabilities and net assets:		
Accounts payable and accrued expenses	57,076,341	56,369,181
Deferred Income	10,624,023	10,262,224
Total liabilities	67,700,364	66,631,405
Commitments (Notes 4 and 6)		
Net assets:		
Unrestricted	58,535,421	49,644,967
Temporarily restricted (Note 2)	23,171,417	20,986,623
Permanently restricted (Note 2)	9,984,775	10,280,254
Total net assets	91,691,613	80,911,844
Total liabilities and net assets	\$159,391,977	\$147,543,249
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National Multiple Sclerosis Society Combined Statement of Activities Year Ended September 30, 2010 with summarized financial information for the year ended September 30, 2009

		20	010		
		Temporarily	Permanently	Combined	2009
Owner of account and activities the second	Unrestricted	Restricted	Restricted	Totals	Totals
Support, revenue and reclassifications Support					
Received directly: Contributions from members					
and others Legacies and bequests Gaming proceeds	\$ 40,444,844 6,650,015 51,641	\$ 13,227,033 1,016,951	\$ 193,852	\$ 53,865,729 7,666,966 51,641	\$ 55,736,541 6,817,217 66,337
Special events	162,107,992	3,816,574	-	165,924,566	156,806,288
Less: Benefit to donor expenses	(21,879,165)	(306,689)	-	(22,185,854)	(21,528,412)
Total received directly	187,375,327	17,753,869	193,852	205,323,048	197,897,971
Received indirectly:					
Federal services campaign for National Health Agencies Allocated by federated fundraising	381,857	7,258		389,115	307,014
organizations	1,047,268	378,205		1,425,473	1,570,901
Government grants	2,252,672	29,473		2,282,145	3,334,247
Total received indirectly Total support	3,681,797 191,057,124	414,936 18,168,805	193,852	4,096,733 209,419,781	5,212,162 203,110,133
Total support	191,057,124	10,100,000	193,632	209,419,761	203,110,133
Revenue:					
Investment return and other	5,215,438	2,785,910	32,270	8,033,618	5,809,490
Total revenue	5,215,438	2,785,910	32,270	8,033,618	5,809,490
Total support and revenue Net assets released from restriction	196,272,562 19,291,522	20,954,715 (18,769,921)	226,122 (521,601)	217,453,399 -	208,919,623
Total support, revenue and reclassification	215,564,084	2,184,794	(295,479)	217,453,399	208,919,623
Evnonoco					
Expenses: Program services:					
Research and research fellowships	36,918,907		•	36,918,907	35,683,288
Client and community services	67,732,951			67,732,951	74,540,984
Professional education and training Public education	7,914,734 24,483,596			7,914,734 24,483,596	9,662,766 29,214,577
Services to Chapters	21,920,021	_	_	21,920,021	19,106,322
Total program services	158,970,209		-	158,970,209	168,207,937
Our months and door	., ., .,				
Supporting services: Fund-raising	32,504,205			32,504,205	34,363,669
Management and general	15,199,216	_	_	15,199,216	16,375,294
Total supporting services	47,703,421			47,703,421	50,738,963
Total expenses	206,673,630	-		206,673,630	218,946,900
			,		
Change in net assets	8,890,454	2,184,794	(295,479)	10,779,769	(10,027,277)
Net assets at the beginning of the year	49,644,967	20,986,623	10,280,254	80,911,844	90,939,121
Net assets at the end of the year	\$ 58,535,421	\$ 23,171,417	\$ 9,984,775	<u>\$ 91,691,613</u>	\$ 80,911,844

See accompanying notes

National Multiple Sclerosis Society Combined Statement of Cash Flows

Cash flow from operating activities	Year ended Se 2010	eptember 30 2009
		
Change in net assets	\$ 10,779,769	\$(10,027,277)
Adjustments to reconcile change in net assets to net cash (used in) provided operating activities:		
Depreciation and amortization	3,515,407	3,727,913
Net realized and unrealized (gain) loss on investments Changes in operating assets and liabilities:	(3,692,141)	
Contributions receivable	56,500	2,566,464
Prepaid expenses and other assets	(2,298,730)	(767,538)
Accounts payable and accrued expenses	707,160	(5,578,408)
Deferred Income	361,799	1,455,236
Net cash provided by operating activities	9,429,764	(8,623,610)
Cash flows from investing activities:		
Purchases of fixed assets	(1,865,437)	(1,161,449)
Proceeds from sale of fixed assets	195,332	
Purchases of investments	(10,533,294)	
Proceeds from sales of investments	<u>7,874,734</u>	1,060,446
Net cash used in investing activities	(4,328,665)	(101,003)
Net increase in cash and cash equivalents	5,101,099	(8,724,613)
Cash and cash equivalents, beginning of year	62,484,510	71,209,123
Cash and cash equivalents, end of year	\$ 67,585,609	\$ 62,484,510

See accompanying notes

National Multiple Scierosis Society

summarized Thancial Information for the year ended September 30, 200

			Program	Program Services			0)	Support Services				
	Research	Client and	Professional							Benefit		Reclassified
	and Research	Community	Education and	Public	Services to		Fund	Management		to Donor	Year Ended	September 30
	Fellowships	Services	Training	Education	Chapters	Total	Raising	and General	Total	Expenses	2010	2009
Research and research fellowship grants	\$ 31,678,521		, s	, 69	,	\$ 31,678,521	69	, 69	69		31,678,521	\$ 30,623,921
Specific assistance to individuals and clinics	80,556	9,855,967	373,941	62,693	\$ 102,738	10,475,895	\$ 10,274	\$ 27,085	37,359		10,513,254	9,480,142
Salaries	1,598,070	28,580,362	3,908,061	12,457,135	8,038,384	54,582,012	11,035,913	7.572.317	18,608,230		73.190.242	78,513,893
Retirement and health insurance benefits for	•					•	. •					
employees	2777,361	3,886,174	524,015	1,582,663	876,887	7,147,100	1,409,683	1.063,332	2,473,015	,	9.620.115	10,277,431
Payroll taxes	105,155	2,349,868	325,319	1,022,932	615,774	4,419,048	905,178	624,876	1,530,054	•	5.949,102	6.146.253
izavel	372,090	1,107,532	167,434	439,299	1,050,086	3,136,441	1,043,820	336,341	1,380,161	7,388,745	11,905,347	12,543,806
Professional fees and contract service payments	1,787,173	7,564,169	716,486	2,612,137	6,855,271	19,535,236	4,512,842	1,506,253	6,019,095	380,064	25,934,395	29,319,194
Printing and stationery	62,389	1,582,362	191,120	1,400,725	390,020	3,626,616	4,144,121	799,294	4,943,415		8,570,031	10,470,414
Sues, subscriptions and reprints	65,793	115,678	21,151	106,248	195,189	504,059	419,209	162,360	581,569		1,085,628	1,379,252
Office supplies	12,969	573,989	50,388	153,100	48,513	838,959	264,145	108,926	373,071	3,306,225	4,518,255	4,308,117
Sent and electricity	353,271	4,232,171	593,533	1,779,439	1,015,342	7,973,756	1,759,036	851,100	2,610,136	2,460,258	13,044,150	13,233,533
nsurance	13,367	508,268	66,537	222,628	77,662	888,462	238,109	122,603	360,712	. '	1,249,174	1,863,650
Postage, trucking and express	30,361	886,795	79,523	680,385	182,991	1,860,055	2,960,660	613,249	3,573,909	,	5,433,964	5,718,975
Geephone	78,985	1,018,311	130,374	339,261	446,194	2,013,125	326,019	232,200	558,219	1	2,571,344	2,716,817
Conferences and meetings	112,017	2,415,328	215,055	571,631	591,495	3,905,526	606,845	216,575	823,420	1,858,766	6,587,712	6,536,189
wards and other grants	76,159	531,531	241,418	60,852	104,451	1,014,411	77,516	30,641	108,157	4,946,145	6,068,713	7,092,948
Sundry equipment		625,846	70,478	257,632	,	953,956	276,912	134,527	411,439	90,471	1,455,866	1,672,808
Sundry	40,167	712,450	85,761	357,766	301,186	1,497,330	2,278,511	437,243	2,715,754	1,755,183	5,968,267	4,850,056
	36,744,404	66,546,801	7,760,594	24,106,526	20,892,183	156,050,508	32,268,793	14,838,922	47,107,715	22,185,857	225,344,080	236,747,399
Depreciation and amortization	174,503	1,186,150	154,140	377,070	1,027,838	2,919,701	235,412	360,294	595,706		3,515,407	3,727,913
otal expenses and benefit to donor costs	36,918,907	67,732,951	7,914,734	24,483,596	21,920,021	158,970,209	32,504,205	15,199,216	47,703,421	22,185,857	228,859,487	240,475,312
ess benefit to donor casts						•				ļ	(22,185,857)	(21,528,412)
otal expenses excluding benefit to donor costs										0,	\$ 206,673,630 \$ 218,946,900	\$ 218,946,900

\$ 35,683,288 \$ 74,541,184 \$ 9,662,766 \$ 29,214,577 \$ 19,106,322 \$ 168,208,137 \$ 34,363,669 \$ 16,375,294 \$ 50,738,963 \$ 21,528,412

Total expenses and benefit to donor costs, September 30, 2009

See accompanying notes

National Multiple Sclerosis Society Notes to Combined Financial Statements September 30, 2010

1. 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") and 50 chartered Chapters throughout the country, each with a separate Board of Trustees. The accompanying financial statements include the accounts of the National Headquarters and all of its Chapters. All transactions between the National Headquarters and the Chapters have been eliminated in the combined financial statements. The 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.

2. Significant Accounting Policies

Net Asset Classification - 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: Unrestricted net assets consist of resources available for the support of Society operations. The unrestricted net assets may be used at the discretion of the Society's management and the Board of Directors.

Temporarily Restricted Net Assets: Temporarily restricted net assets represent amounts restricted by donors and grantors for specific activities of the Society or to be used at some future date.

Permanently Restricted Net Assets: Permanently restricted net assets contain donor imposed restrictions that stipulate 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 classes based upon stipulations by the donors.

Revenue Recognition All unconditional contributions are recorded as revenue when received. 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. The Society records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction or purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement 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.

All revenue received in advance for special events that are held subsequent to year-end is deferred.

Expense Allocations Functional expenses which are not specifically attributable to program services or supporting services are allocated by management based on various allocation 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 the Society and the continued qualification of grantees, among other things. The Society's policy

regarding the recognition of grants payable is to include only those amounts where a specific grantee is identified.

Cash and Cash Equivalents The Society 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.

Investments are carried at their fair values, which are based on quoted market prices. Donated securities are recorded at their quoted market value on the date received.

Fixed Assets are carried at cost or, if donated, at fair value on the date received. Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the assets or the terms of the lease, as appropriate.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Donated Services and Materials are recorded as revenue and expense, at fair value, where reasonably determinable. 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 revenue and expense. Other donated services that meet the criteria were valued at \$869,000 and \$495,000 for the years ended September 30, 2010 and 2009 respectively. Other volunteers have also donated significant time to the Society's program services and fund raising campaigns. These services were not reflected in the accompanying statement of activities because they do not meet the necessary criteria for recognition under accounting principles generally accepted in the United States. Donated

materials were approximately \$4,565,000 and \$5,106,000 for 2010 and 2009, respectively, and have also been recorded as revenue and expense.

Advertising Costs The Society expenses the costs of advertising as incurred. Advertising expenses were approximately \$1,348,000 and \$975,000 for the years ended September 30, 2010 and 2009, respectively.

3. Tax-Exempt Status The National Multiple Sclerosis Society qualifies as a charitable organization as defined by the Internal Revenue Code Section 501 (c) (3) and, accordingly, is exempt from Federal income taxes under Internal Revenue Code Section 501 (a). Additionally, since the Society is publicly supported, contributions to the Society qualify for the maximum charitable contribution deduction under the Internal Revenue Code.

4. Investments

A summary of the Society's investments at September 30 is as follows:

	2010	2009
Cash & cash equivalents	\$10,654,913	\$9,070,827
Commercial Paper	-	-
Certificates of Deposit	250,000	250,000
Equities	16,692,671	14,946,755
Mutual Funds	12,008,559	8,790,170
Fixed Income Securities	16,375,128	17,742,705
Warrants	1,327,945	308,567
Investments related to		
charitable gift annuities	3,483,394	3,332,961
Other	6,076	6,000
Total	\$60,798,686	\$54,447,985

5. Fixed Assets

At September 30, fixed assets consist of the following:

	2010	2009
Furniture and Fixtures	\$7,343,485	\$9,506,690
Computer hardware and software	30,232,073	28,029,737
Equipment	4,585,213	5,475,931
Leasehold improvements	5,384,306	4,811,115
	\$47,545,077	\$47,823,473
Less: accumulated depreciation	38,916,959	37,350,053
Net Fixed Assets	\$8,628,118	\$10,473,420

6. Commitments for 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 three year period. Commitments for research and fellowship projects approved for funding in fiscal 2011 have been recorded as research grant expense as of September 30, 2010 and included in the accompanying statement of financial position. The outstanding commitments for research and fellowship projects beyond fiscal 2011 are scheduled for funding approximately as follows:

2012	\$17,623,000
2013	6,410,000
2014	1,450,000
2015	52,000
Total	\$25,535,000

These projects will be funded by unrestricted net assets and support and revenue to be generated by the Society.

Commitments for research and fellowship projects are subject, among other things, to revocation rights by the Society, the continued

qualifications of grantees and the satisfaction by the grantees of prior conditions before payment.

- 7. Pension The Society maintains a noncontributory defined contribution retirement plan which covers all eligible employees of the National Headquarters and participating Chapters. Chapters not participating in the National plan have defined contribution plans as well. Contributions for the National plan for the years ended September 30, 2009 and 2008, as determined by the Society's Chief Executive Officer were 0%. Total Society pension expense for the years ended September 30, 2010 and 2009, was approximately \$928,000 and \$1,216,000, respectively.
- 8. Leases Approximate future minimum lease commitments and related sub-lease income under the Society's various lease arrangements are as follows:

2011	\$8,219,000
2012	7,382,000
2013	6,504,000
2014	5,608,000
2015	4,995,000
Thereafter	19,900,000
Sub-total	\$52,608,000
Less: sublease income	4,909,000
Total future minimum rent	\$47,700,000

Rent expense for the years ended September 30, 2010 and 2009 was \$13,044,000 and \$11,279,000 respectively.

9. Allocation of Joint Costs In fiscal 2010 and 2009, the Society incurred joint costs of \$12,822,000 and \$13,107,000, respectively, for

informational materials and activities that included fund-raising appeals. Such costs were allocated in accordance with the requirements of the AICPA's Statement of Position 98-2, Accounting for the Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fund Raising.

The Society allocated approximately \$9,488,000 and \$9,095,000, respectively, to fund-raising expense, approximately \$1,704,000 and \$2,088,000, respectively, to program services, and approximately \$1,671,000 and \$1,924,000, respectively, to management and general in fiscal 2010 and 2009.