NATIONAL MULTIPLE SCLEROSIS SOCIETY
(NATIONAL HEADQUARTERS) AND AFFILIATE

Consolidated Financial Statements
And Additional Information
For the Years Ended September 30, 2012 and 2011
With Report of Independent Auditors

NATIONAL MULTIPLE SCLEROSIS SOCIETY
(NATIONAL HEADQUARTERS) AND AFFILIATE
Years Ended September 30, 2012 and 2011

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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, 2012 and 2011, 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, 2012 and 2011, 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.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements of financial position and activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Mitchell & Titus, LLP

April 15, 2013

NATIONAL MULTIPLE SCLEROSIS SOCIETY
(NATIONAL HEADQUARTERS) AND AFFILIATE
Consolidated Statements of Financial Position
As of September 30, 2012 and 2011

	2012	2011
ASSETS		
Current assets		
Cash and cash equivalents	$ 30,915,308	$ 27,042,123
Contributions receivable from chapters and others (due within one year)	133,416	511,655
Due from chapters for National Headquarters' activities, campaign materials, and advances, less allowance of approximately $2,048,000 and $3,048,000 at September 30, 2012 and 2011, respectively	6,509,528	9,106,691
Prepaid expenses, other assets and other receivables, less allowance of approximately $42,000 and $887,000 at September 30, 2012 and 2011, respectively	3,390,391	3,246,074
Total current assets	40,948,643	39,906,543
Non-current assets		
Investments, at fair value	32,523,212	30,690,967
Beneficial interests in trust	116,832	93,151
Property and equipment, net	4,831,720	5,329,662
Total non-current assets	37,471,764	36,113,780
Total assets	$ 78,420,407	$ 76,020,323

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, 2012 and 2011

	2012	2011
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 7,798,841	$ 8,576,719
Grants payable	36,251,123	34,118,322
Due to chapters	324,406	-
Deferred income	566,011	666,298
Total current liabilities	44,940,381	43,361,339
Noncurrent liabilities		
Deferred rent	1,891,306	2,263,001
Due to chapters–long-term portion	4,090,366	3,583,211
Liability to annuitants	2,358,096	2,350,916
Total non-current liabilities	8,339,768	8,197,128
Total liabilities	53,280,149	51,558,467
Commitments		
Net assets		
Unrestricted	15,360,468	13,450,687
Temporarily restricted	6,134,957	7,266,336
Permanently restricted	3,644,833	3,744,833
Total net assets	25,140,258	24,461,856
Total liabilities and net assets	$ 78,420,407	$ 76,020,323

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, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS				
Support				
Contributions from chapters	$ 72,037,787	$ 3,301,860	$ -	$ 75,339,647
Contributions for research and development	-	1,581,779	-	1,581,779
Dues and contributions from members and others (includes donated services of $403,920 and public service announcements of $4,063,472)	24,524,466	233,688	-	24,758,154
Federal Services Campaign for National Health agencies	16,080	-	-	16,080
Revenue				
Advertising, program fees, and other revenue	3,132,282	-	-	3,132,282
Investment return	1,109,582	201,386	-	1,310,968
Total support and revenue	100,820,197	5,318,713	-	106,138,910
Net assets released from restrictions	6,550,092	(6,450,092)	(100,000)	-
Total support, revenue, and reclassifications	107,370,289	(1,131,379)	(100,000)	106,138,910
EXPENSES				
Program services				
Research and research fellowships	43,255,235	-	-	43,255,235
Client and community services	9,083,351	-	-	9,083,351
Professional education and training	1,997,952	-	-	1,997,952
Public education	8,506,966	-	-	8,506,966
Services to chapters	23,566,071	-	-	23,566,071
Total program services	86,409,575	-	-	86,409,575
Supporting services				
Fundraising	7,745,953	-	-	7,745,953
Management and general	7,474,271	-	-	7,474,271
Total supporting services	15,220,224	-	-	15,220,224
Payments to chapters	3,830,709	-	-	3,830,709
Total expenses	105,460,508	-	-	105,460,508
CHANGE IN NET ASSETS	1,909,781	(1,131,379)	(100,000)	678,402
NET ASSETS, AT BEGINNING OF YEAR	13,450,687	7,266,336	3,744,833	24,461,856
NET ASSETS, AT END OF YEAR	$ 15,360,468	$ 6,134,957	$ 3,644,833	$ 25,140,258

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, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS				
Support				
Contributions from chapters	$ 63,682,968	$ 7,881,597	$ -	$ 71,564,565
Contributions for research and development	-	480,149	-	480,149
Dues and contributions from members and others (includes donated services of $322,752)	20,052,168	1,034,219	-	21,086,387
Federal grant	472,183	-	-	472,183
Federal Services Campaign for National Health agencies	35,888	-	-	35,888
Revenue				
Advertising, program fees, and other revenue	3,867,013	-	-	3,867,013
Investment return	149,874	(4,145)	-	145,729
Total support and revenue	88,260,094	9,391,820	-	97,651,914
Net assets released from restrictions	12,005,403	(12,005,403)	-	-
Total support, revenue, and reclassifications	100,265,497	(2,613,583)	-	97,651,914
EXPENSES				
Program services				
Research and research fellowships	40,257,414	-	-	40,257,414
Client and community services	9,263,829	-	-	9,263,829
Professional education and training	2,665,011	-	-	2,665,011
Public education	4,328,156	-	-	4,328,156
Services to chapters	23,305,937	-	-	23,305,937
Total program services	79,820,347	-	-	79,820,347
Supporting services				
Fundraising	6,970,244	-	-	6,970,244
Management and general	7,699,676	-	-	7,699,676
Total supporting services	14,669,920	-	-	14,669,920
Payments to chapters	3,979,785	-	-	3,979,785
Total expenses	98,470,052	-	-	98,470,052
CHANGE IN NET ASSETS	1,795,445	(2,613,583)	-	(818,138)
NET ASSETS, AT BEGINNING OF YEAR	11,655,242	9,879,919	3,744,833	25,279,994
NET ASSETS, AT END OF YEAR	$ 13,450,687	$ 7,266,336	$ 3,744,833	$ 24,461,856

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, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 678,402	$ (818,138)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Provision (credit) for doubtful accounts	(1,845,795)	655,480
Depreciation and amortization	1,888,426	2,225,458
Net realized and unrealized (gain) loss on investments	(656,813)	607,787
Beneficial interests in trusts	(23,681)	14,695
Deferred rent	(371,695)	(32,065)
Release of permanently restricted net assets	100,000	-
Changes in operating assets and liabilities		
Contributions receivable	378,239	726,785
Due from chapters	3,597,163	7,772,151
Prepaid expenses, other assets and other receivables, net	701,478	154,694
Accounts payable and accrued expenses	(1,062,822)	526,553
Grants payable	2,132,801	4,687,680
Due to chapters	438,549	355,352
Deferred income	(100,287)	(215,995)
Liability to annuitants	7,180	112,671
Net cash provided by operating activities	5,861,145	16,773,108
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,390,484)	(1,829,737)
Purchases of investments	(908,758)	(1,340,405)
Proceeds from liquidation of trust	-	329,946
Proceeds from sales of investments	411,282	-
Net cash used in investing activities	(1,887,960)	(2,840,196)
CASH FLOWS FROM FINANCING ACTIVITIES		
Distribution of previously permanently restricted net assets	(100,000)	-
Permanently restricted contributions received	-	250,000
Net cash (used in) provided by financing activities	(100,000)	250,000
Net increase in cash and cash equivalents	3,873,185	14,182,912
Cash and cash equivalents, at beginning of year	27,042,123	12,859,211
Cash and cash equivalents, at end of year	$ 30,915,308	$ 27,042,123

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, 2012

	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	$ 38,348,183	$ -	$ -	$ -	$ -	$ 38,348,183	$ -	$ -	$ -	$ -	$ 38,348,183
Payments to chapters	-	-	-	-	-	-	-	-	-	3,830,709	3,830,709
Expenses											
Salaries	1,628,624	3,764,857	667,592	1,544,095	9,134,511	16,739,679	464,818	2,369,135	2,833,953	-	19,573,632
Retirement and health insurance benefits for employees	233,268	888,313	111,801	236,107	1,399,260	2,868,749	66,675	347,712	414,387	-	3,283,136
Payroll taxes	117,216	301,983	46,968	108,896	633,094	1,208,157	32,006	163,133	195,139	-	1,403,296
Total salaries and related expenses	1,979,108	4,955,153	826,361	1,889,098	11,166,865	20,816,585	563,499	2,879,980	3,443,479	-	24,260,064
Travel	393,286	197,256	98,850	142,867	1,144,465	1,976,724	51,559	244,977	296,536	-	2,273,260
Professional fees and contract service payments	1,401,514	367,975	166,098	783,034	6,735,467	9,454,088	1,658,198	1,762,836	3,421,034	-	12,875,122
Donated public service announcements	-	-	-	4,063,472	-	4,063,472	-	-	-	-	4,063,472
Printing and stationery	99,776	526,645	133,172	458,072	290,609	1,508,274	2,713,100	794,169	3,507,269	-	5,015,543
Dues, subscriptions, and reprints	98,426	16,918	10,414	97,772	236,592	460,122	388,978	184,302	573,280	-	1,033,402
Office supplies	8,652	48,454	3,835	11,647	55,222	127,810	2,607	14,581	17,188	-	144,998
Rent and electricity	303,019	503,079	122,021	161,328	1,008,304	2,097,751	45,690	273,117	318,807	-	2,416,558
Insurance	16,696	71,251	7,852	16,836	113,309	225,944	4,986	26,537	31,523	-	257,467
Postage, trucking, and delivery	46,077	345,490	48,854	345,768	188,286	974,475	2,085,237	601,314	2,686,551	-	3,661,026
Telephone	107,956	400,581	57,998	96,396	645,630	1,308,561	27,626	153,695	181,321	-	1,489,882
Conferences and meetings	126,528	154,330	38,575	147,101	551,927	1,018,461	37,736	149,040	186,776	-	1,205,237
Specific assistance to individuals and clinics	95,279	582,707	329,049	72,998	138,594	1,218,627	13,738	36,171	49,909	-	1,268,536
Awards and other grants	32,366	96,954	53,566	13,251	45,336	241,473	3,301	10,912	14,213	-	255,686
Sundry	66,105	252,259	38,630	75,661	473,299	905,954	114,315	152,668	266,983	-	1,172,937
Total expenses before depreciation and amortization	4,774,788	8,519,052	1,935,275	8,375,301	22,793,905	46,398,321	7,710,570	7,284,299	14,994,869	-	61,393,190
Depreciation and amortization	132,264	564,299	62,677	131,665	772,166	1,663,071	35,383	189,972	225,355	-	1,888,426
Total expenses	4,907,052	9,083,351	1,997,952	8,506,966	23,566,071	48,061,392	7,745,953	7,474,271	15,220,224	-	63,281,616
Total expenses, grants, and payments to chapters	$ 43,255,235	$ 9,083,351	$ 1,997,952	$ 8,506,966	$ 23,566,071	$ 86,409,575	$ 7,745,953	$ 7,474,271	$ 15,220,224	$ 3,830,709	$ 105,460,508

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, 2011

	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	$ 35,272,837	$ -	$ -	$ -	$ -	$ 35,272,837	$ -	$ -	$ -	$ -	$ 35,272,837
Payments to chapters	-	-	-	-	-	-	-	-	-	3,979,785	3,979,785
Expenses											
Salaries	1,340,952	3,750,835	751,846	1,528,700	8,627,415	15,999,748	427,718	2,271,760	2,699,478	-	18,699,226
Retirement and health insurance benefits for employees	212,566	654,066	100,491	235,210	1,155,764	2,358,097	53,090	300,494	353,584	-	2,711,681
Payroll taxes	97,002	306,219	55,958	106,247	604,197	1,169,623	28,763	156,626	185,389	-	1,355,012
Total salaries and related expenses	1,650,520	4,711,120	908,295	1,870,157	10,387,376	19,527,468	509,571	2,728,880	3,238,451	-	22,765,919
Travel	539,463	165,830	111,504	125,803	1,166,634	2,109,234	47,647	240,748	288,395	-	2,397,629
Professional fees and contract service payments	1,504,158	800,661	358,042	696,338	7,109,528	10,468,727	1,652,303	1,992,992	3,645,295	-	14,114,022
Printing and stationery	59,501	422,725	98,590	407,579	264,152	1,252,547	2,260,579	779,779	3,040,358	-	4,292,905
Dues, subscriptions, and reprints	77,857	26,131	17,559	69,382	208,211	399,140	352,340	186,102	538,442	-	937,582
Office supplies	9,537	45,454	5,101	10,278	56,083	126,453	2,430	13,053	15,483	-	141,936
Rent and electricity	356,244	499,676	137,109	192,529	1,051,074	2,236,632	52,424	360,727	413,151	-	2,649,783
Insurance	26,885	106,707	15,450	25,761	166,126	340,929	7,299	44,227	51,526	-	392,455
Postage, trucking and delivery	33,787	334,613	33,999	370,107	157,286	929,792	1,823,250	638,577	2,461,827	-	3,391,619
Telephone	83,790	211,075	50,240	53,764	405,559	804,428	17,537	91,296	108,833	-	913,261
Conferences and meetings	202,081	58,738	42,766	72,883	329,868	706,336	14,024	74,812	88,836	-	795,172
Specific assistance to individuals and clinics	96,475	563,422	369,945	80,301	142,060	1,252,203	13,946	37,163	51,109	-	1,303,312
Awards and other grants	114,338	472,269	359,230	79,012	146,656	1,171,505	13,946	38,278	52,224	-	1,223,729
Sundry	77,581	232,846	69,618	128,256	773,056	1,281,357	161,574	229,717	391,291	-	1,672,648
Total expenses before depreciation and amortization	4,832,217	8,651,267	2,577,448	4,182,150	22,363,669	42,606,751	6,928,870	7,456,351	14,385,221	-	56,991,972
Depreciation and amortization	152,360	612,562	87,563	146,006	942,268	1,940,759	41,374	243,325	284,699	-	2,225,458
Total expenses	4,984,577	9,263,829	2,665,011	4,328,156	23,305,937	44,547,510	6,970,244	7,699,676	14,669,920	-	59,217,430
Total expenses, grants, and payments to chapters	$ 40,257,414	$ 9,263,829	$ 2,665,011	$ 4,328,156	$ 23,305,937	$ 79,820,347	$ 6,970,244	$ 7,699,676	$ 14,669,920	$ 3,979,785	$ 98,470,052

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 National Headquarters (National Headquarters), Fast Forward, LLC (Fast Forward), and 45 chartered 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 the 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.

NOTE 2 SUMMARY OF 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, which National Headquarters does not have control over, 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 (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.

NOTE 2 SUMMARY OF 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. They may be used at the discretion of National Headquarters' management and the Board of Directors (the Board).

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.

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.

Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. At September 30, 2012, National Headquarters had conditional contributions of $450,000, which consisted of the amount expected to be received under a collaboration agreement with certain not-for-profit organizations (see Note 9).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue Recognition *(continued)*

All contributions are considered available for unrestricted use unless specifically restricted by the donor. National Headquarters records contributions as temporarily restricted net assets 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 separate collaboration agreements with a pharmaceutical company and two not-for-profit organizations (the funding entities) to fund certain sponsored research agreements (SRAs) entered into with certain organizations for the purpose of conducting specified research and development and therapeutic strategies for progressive multiple sclerosis (R&D) activities (see Note 9). 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 have been 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 the 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 its advertisers.

Expense Allocations

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Research Grants

Research grants are recognized in accordance with defined payment schedules, and as the related conditions are met. Research grants, which are generally for three years, are subject to revocation rights by National Headquarters and the continued qualification of grantees, among other things, annually. 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 SRAs are recognized as an expense, as services or as 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.

Approximately 97% of cash and cash equivalents at September 30, 2012 and 2011 was held by one financial institution.

Due from Chapters and Contributions from Chapters

The Society calculates 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 are excluded from the calculation. The percentages are subject to annual adjustment to ensure that the Society meets its programmatic goals and that all donor restrictions are honored. The amounts received from chapters under this calculation for the years ended September 30, 2012 and 2011 approximated $64,969,000 and $58,733,000, respectively. Total contributions from chapters for the years ended September 30, 2012 and 2011 approximated $75,340,000 and $71,565,000, respectively.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and Investment Income

Investments in mutual funds and equity securities are carried at fair value, which is based on published unit values or quoted market prices. Investments in debt securities are carried at their fair values, which are based on measurement inputs derived indirectly from quoted market prices or observable inputs, such as quoted market prices for similar securities, interest rates, credit risks, and other factors. 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, except for permanently restricted net assets where the income of which is recorded as temporarily restricted and then reclassified to unrestricted upon appropriation.

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 residual assets are distributed to the chapter designated by the donor and National Headquarters as described below.

Prior to fiscal year 2012, the Society's policy was to allocate 60% of the unrestricted residual assets to the designated chapter and 40% to National Headquarters, unless otherwise designated by the donor. In addition, split-interest agreements designated for research were allocated 100% to National Headquarters. Effective with fiscal year 2012, the Chapter Relations Committee (CRC) of the Board adopted a new policy that allocates 100% of the residual assets, including amounts restricted for research, to the chapter designated by the donor as the beneficiary.

The CRC also applied the policy to all such agreements entered into effective October 1, 2010, except that National Headquarters retained an 100% interest in residual assets designated for research. As a result, National Headquarters' interests in split-interest arrangements totaling approximately $251,000 as of September 30, 2011 were allocated to chapters during fiscal year 2012.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Split-Interest Agreements and Beneficial Interests in Trusts *(continued)*

National Headquarters continues to hold, manage, invest, and control the donated assets. It records 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, and results from the investment of the donated assets.

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. National Headquarters' beneficial interests in such trusts were approximately $117,000 and $93,000 at September 30, 2012 and 2011, respectively.

Property and Equipment

Property and equipment are 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 $404,000 and $323,000 for the years ended September 30, 2012 and 2011, 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Donated Services *(continued)*

Donated public service announcements received in 2012 totaled approximately $4,063,000 and were reflected as support and program expense (public education) in the accompanying 2012 consolidated statement of activities. Donated public service announcements received in 2011 were deemed immaterial and, accordingly, were not reflected as support and expense in the accompanying 2011 consolidated statement of activities.

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.

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.

Management has analyzed the tax positions taken and has concluded that, as of September 30, 2012, there were no uncertain tax positions taken or are expected to be taken. Accordingly, no interest or penalties related to uncertain tax positions have been accrued in the accompanying consolidated financial statements.

National Headquarters is subject to audits by taxing jurisdictions; however, there are no audits for any tax periods currently in progress. Management believes that National Headquarters is no longer subject to such audits for the year ended on and prior to September 30, 2008 under federal and other state tax jurisdictions.

NOTE 4 INVESTMENTS

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

	2012	2011
Cash equivalents	$ 4,124,858	$ 4,029,384
Certificates of deposit	250,000	250,000
Equities–common stocks, sponsored American depositary receipts, and other equity securities		
Consumer–discretionary	1,889,796	1,697,381
Consumer–staples	1,449,144	1,206,433
Energy	1,410,850	1,242,286
Financial services	1,853,682	1,291,757
Healthcare	1,536,633	1,326,848
Industrials	1,675,927	1,346,536
Telecommunications	697,671	769,819
Utilities	608,589	666,892
Information technology	2,187,762	1,567,407
Materials	992,840	1,075,005
Unclassified	408,778	377,339
	14,711,672	12,567,703
Equity mutual fund	307,392	262,327
Fixed income		
U.S. Treasury and agency obligations	3,437,983	3,738,275
Mutual funds invested mainly in		
U.S. domestic and international corporate and convertible debt securities	3,795,017	3,214,937
Limited maturity bond fund	95,770	103,201
	7,328,770	7,056,413
Commodities–mutual fund	1,077,553	1,209,550
Warrants	801,073	1,737,950
Investments related to charitable gift annuities		
Cash equivalents	181,868	208,248
U.S. Treasury and agency obligations	368,625	405,039
Fixed-income mutual funds	1,948,254	1,743,183
Equity mutual funds	1,417,147	1,215,094
	3,915,894	3,571,564
Other	6,000	6,076
Total	$ 32,523,212	$ 30,690,967

NOTE 4 INVESTMENTS *(continued)*

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

	2012	2011
California	$ 598,521	$ 542,556
Maryland	681,338	746,355
New York	356,680	252,321
All other states	2,279,355	2,030,332
Total	$ 3,915,894	$ 3,571,564

The related liability to annuitants at September 30, 2012 and 2011 amounted to approximately $2,358,000 and $2,351,000, 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 $4,090,000 and $3,527,000 as of September 30, 2012 and 2011, respectively. The chapters' ownership interests are reflected as 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:

	2012	2011
Interest and dividend income	$ 654,155	$ 753,516
Net realized and unrealized gain on investments	656,813	(607,787)
Total	$ 1,310,968	$ 145,729

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 ranges 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 that are 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 5 FAIR VALUE MEASUREMENTS *(continued)*

The following table provides the fair value hierarchy of National Headquarters' financial instruments as of September 30, 2012 and 2011:

	Level 1	Level 2	Level 3	Total
September 30, 2012				
Cash and cash equivalents*	$ 19,769,409	$ -	$ -	$ 19,769,409
Investments				
Cash equivalents	4,124,858	-	-	4,124,858
Certificates of deposit	-	250,000	-	250,000
Equities–common stocks, American depositary receipts, and other equity securities	14,711,672	-	-	14,711,672
Equities–mutual fund	307,392	-	-	307,392
Fixed income				
U.S. Treasury and agency obligations	-	3,437,983	-	3,437,983
Mutual funds	3,795,017	-	-	3,795,017
Limited maturity bond fund	95,770	-	-	95,770
Commodities mutual fund	1,077,553	-	-	1,077,553
Warrants	-	-	801,073	801,073
Investments related to charitable gift annuities				
Cash equivalents	181,868	-	-	181,868
U.S. Treasury and agency obligations	-	368,625	-	368,625
Fixed-income mutual funds	1,948,254	-	-	1,948,254
Equity mutual funds	1,417,147	-	-	1,417,147
Other investments	-	-	6,000	6,000
Beneficial interests in trusts	-	-	116,832	116,832
Total	$ 47,428,940	$ 4,056,608	$ 923,905	$ 52,409,453

*Represents cash and cash equivalents that are interest-bearing and are included in cash and cash equivalents in the accompanying consolidated statement of financial position.

NOTE 5 FAIR VALUE MEASUREMENTS *(continued)*

	Level 1	Level 2	Level 3	Total
September 30, 2011				
Cash and cash equivalents*	$ 19,612,466	$ -	$ -	$ 19,612,466
Investments				
Cash equivalents	4,029,384	-	-	4,029,384
Certificates of deposit	-	250,000	-	250,000
Equities–common stocks, American depositary receipts, and other equity securities	12,567,703	-	-	12,567,703
Equities–mutual fund	262,327	-	-	262,327
Fixed income				
U.S. Treasury and agency obligations	-	3,738,275	-	3,738,275
Mutual funds	3,214,937	-	-	3,214,937
Limited maturity bond fund	103,201	-	-	103,201
Commodities mutual fund	1,209,550	-	-	1,209,550
Warrants	-	-	1,737,950	1,737,950
Investments related to charitable gift annuities				
Cash equivalents	208,248	-	-	208,248
U.S. Treasury and agency obligations	-	405,039	-	405,039
Fixed-income mutual funds	1,743,183	-	-	1,743,183
Equity mutual funds	1,215,094	-	-	1,215,094
Other investments	-	-	6,076	6,076
Beneficial interests in trusts	-	-	93,151	93,151
Total	$ 44,166,093	$ 4,393,314	$ 1,837,177	$ 50,396,584

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 that were received prior to fiscal year 2011 under the SRAs, as discussed in Note 9, are valued using Level 3 inputs. The valuations for years ended September 30, 2012 and 2011 were $801,073 and $1,737,950, respectively, 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)*

Changes in the 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, 2011				
Fair value, at beginning of year	$ 1,327,945	$ 437,792	$ 6,076	$ 1,771,813
Proceeds from a trust liquidated during the year	-	(329,946)	-	(329,946)
Change in unrealized gain on prior-year investments held at year end	410,005	(14,695)	-	395,310
Fair value, at end of year	$ 1,737,950	$ 93,151	$ 6,076	$ 1,837,177
Year ended September 30, 2012				
Fair value, at beginning of year	$ 1,737,950	$ 93,151	$ 6,076	$ 1,837,177
Change in unrealized gain on prior-year investments held at year end	(936,877)	23,681	(76)	(913,272)
Fair value, at end of year	$ 801,073	$ 116,832	$ 6,000	$ 923,905

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment at September 30 consisted of the following:

	2012	2011
Computer hardware and purchased software	$ 31,143,773	$ 30,442,258
Furniture and fixtures	1,881,763	1,358,156
Equipment	1,741,535	1,616,471
Leasehold improvements	2,315,455	2,273,104
	37,082,526	35,689,989
Less: Accumulated depreciation and amortization	32,250,806	30,360,327
Net	$ 4,831,720	$ 5,329,662

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 contributions to the plan are determined and authorized by the President and Chief Executive Officer of the Society. A contribution of 3% was authorized for fiscal year ended September 30, 2012 and 2011, resulting in pension expense of approximately $496,000 and $268,000, respectively, after utilization of forfeitures.

NOTE 8 LEASES

National Headquarters currently leases offices in New York City and Washington, D.C. under operating leases expiring 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 expiring on January 31, 2023, as amended during fiscal year 2013. 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 sublets 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 expense, computed on the straight-line basis, was approximately $2,739,000 and $2,632,000 for the years ended September 30, 2012 and 2011, respectively. Sublease income of approximately $536,000 and $539,000 for the years ended September 30, 2012 and 2011, respectively, is included in advertising, program fees, and other revenue in the consolidated statements of activities. Deferred rent liability at September 30, 2012 and 2011 was approximately $1,891,000 and $2,263,000, respectively. Approximate future minimum lease commitments and related sublease income are as follows:

Fiscal Year Ending September 30	Lease Payments	Sublease Income
2013	$ 1,978,000	$ 401,000
2014	2,051,000	433,000
2015	2,010,000	439,000
2016	2,030,000	444,000
2017	2,138,000	468,000
Thereafter	10,167,000	2,219,000
Total	$ 20,374,000	$ 4,404,000

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 three- to five-year periods. Commitments for research and fellowship projects approved for funding in fiscal 2013 were recorded as of September 30, 2012, and are included in grants payable in the accompanying consolidated statements of financial position. As of September 30, 2012, the outstanding commitments for research and fellowship projects beyond fiscal 2013 total approximately $31,029,000, and are scheduled for funding as follows: 2014–$19,237,000; 2015–$9,681,000; 2016–$1,459,000; and 2017–$652,000. 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.

Collaboration Agreement with Merck KGaA

During fiscal 2009, Fast Forward entered into an agreement with a leading pharmaceutical company, Merck KGaA, 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 Merck KGaA as a third-party beneficiary under the SRA, as well as the execution of a third-party agreement between Merck KGaA and the Funded Entity. The agreement has an initial two-year term, which automatically renews for three successive 12-month periods unless earlier terminated in accordance therewith.

Under the collaboration agreement, Fast Forward currently receives an annual management fee and any unspent amount, will be credited against the management fee for the subsequent year or refunded to Merck KGaA should the collaboration agreement terminate under the conditions set forth therein. The collaboration agreement was renewed during fiscal year 2012 with the management fee of $757,000, which was received net of approximately $127,000 of unspent prior years' management fees. Approximately $616,000 and $713,000 was earned and expended during 2012 and 2011, 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 $334,000 and $320,000 at September 30, 2012 and 2011, respectively, is reflected in deferred income in the accompanying consolidated statements of financial position.

NOTE 9 RESEARCH AND DEVELOPMENT ACTIVITIES *(continued)*

Collaboration Agreement with Merck KGaA *(continued)*

The collaboration agreement further provides that Merck KGaA, 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 up to 10% of Merck KGaA's funding, subject to availability of funds. As discussed further below, Fast Forward entered into three SRAs during fiscal year 2012, with a total funding commitment of approximately $1,479,000, and three SRAs during fiscal year 2011, with a total funding commitment of approximately $1,006,000.

Collaboration Agreement with Other Not-for-Profit Organizations

In October 2010, Fast Forward entered into a collaboration agreement with two not-for-profit organizations, whereby the organizations agreed to fund Fast Forward's programs to aid early-stage pharmaceutical and biotechnology companies engaged in the development of innovative therapeutic and/or diagnostic strategies for multiple sclerosis, and programs to facilitate the translation of academic multiple sclerosis research discoveries into commercial development. The agreement allowed Fast Forward to choose the companies or institutions to be funded from the funds provided by the organizations.

The agreement expired on December 31, 2012 in accordance with its terms.

For fiscal years 2012 and 2011, Fast Forward received and spent funding of $350,000 and $200,000, respectively, in accordance with the terms of the agreement, and is scheduled to receive $450,000 for fiscal year 2013.

Fast Forward enters into SRAs with selected companies (each an R&D company) and academic institutions engaged in R&D projects aimed at identifying and developing drugs for the treatment of 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 and National Headquarters of the Society and from other funding entities under collaboration agreements 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.

NOTE 9 RESEARCH AND DEVELOPMENT ACTIVITIES *(continued)*

Sponsored Research Agreements *(continued)*

SRA Fully Funded from Public Support and Collaboration Agreement with Other Not-for-Profit Organizations

As of September 30, 2012, Fast Forward had entered into 15 SRAs funded by public support and the collaboration agreement with other not-for-profit organizations. Payments to the R&D companies under these SRAs totaled approximately $1,844,000 and $476,000 in 2012 and 2011, respectively. Approximately $1,799,000 and $803,000 were charged to R&D grants in 2012 and 2011, respectively, and approximately $802,000 and $757,000 were recorded as prepaid expense as of September 30, 2012 and 2011, respectively. Outstanding funding commitments under these SRAs at September 30, 2012 totaled approximately $2,568,000.

There were no warrants received during fiscal 2012 and 2011 and none of the milestones that would require payment of royalties to Fast Forward have been achieved.

SRA Funded Under the Collaboration Agreement with Merck KGaA

As of September 30, 2012, Fast Forward entered into ten SRAs pursuant to the terms of the collaboration agreement with Merck KGaA. Payments to the R&D companies under these SRAs totaled approximately $951,000 and $942,000 during fiscal years 2012 and 2011, respectively. Approximately $744,000 and $924,000 was charged to R&D grants during fiscal years 2012 and 2011, respectively, and approximately $415,000 and $208,000 to prepaid expense at September 30, 2012 and 2011, respectively. Contributions received or due from Merck KGaA totaled approximately $630,000 and $819,000 during fiscal years 2012 and 2011, respectively. Approximately $670,000 and $796,000 were recognized as revenue in fiscal year 2012 and 2011, respectively. Deferred revenue related to these contributions at September 30, 2012 and 2011 amounted to approximately $156,000 and $196,000, respectively. Outstanding funding commitments under these SRAs totaled approximately $1,430,000 at September 30, 2012, of which $1,273,000 will be funded by Merck KGaA and $103,000 by Fast Forward from public support.

There were no warrants received during fiscal years 2012 and 2011 and none of the milestones that would require payment of royalties to Fast Forward have been achieved.

NOTE 10 PAYMENTS AND SERVICES TO CHAPTERS

During fiscal 2012 and 2011, National Headquarters made direct payments to its chapters of approximately $3,831,000 and $3,980,000, respectively, and incurred costs of approximately $23,566,000 and $23,306,000, respectively, in providing services to chapters. The direct payments during fiscal 2012 and 2011 included amounts paid under certain agreements regarding National Headquarters' direct mail program (approximately $3,280,000 and $3,793,000, respectively) and contributions and corporate sponsorships (approximately $250,000 and $187,000, respectively).

NOTE 11 TEMPORARILY RESTRICTED NET ASSETS

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

	2012	2011
Research		
Contributions from chapters and others for research	$ 475,354	$ 475,354
Ralph I. Straus Fund	706,391	693,912
John Dystel Fund for Multiple Sclerosis Research	193,405	170,294
Research Exploration Fund	510,152	505,151
Fast Forward activities	-	1,418,164
Alan Buegeleisen Research Fund	133,072	261,532
Educational and other		
Annuities for various restricted purposes	969,712	760,102
John Dystel Nursing Fellowship Fund	197,478	197,478
Corporate sponsorships	2,699,117	2,699,869
Weinberg Trust	84,480	84,480
Unappropriated investment income of permanently restricted net assets	165,796	-
Total	$ 6,134,957	$ 7,266,336

During fiscal 2012 and 2011, net assets were released from donor restrictions (by incurring expenses satisfying the restrictions) as follows:

	2012	2011
Research grants and expenses	$ 5,167,836	$ 9,296,173
Educational and other	1,282,256	2,709,230
Total	$ 6,450,092	$ 12,005,403

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 of donor-imposed restrictions.

Interpretation of Relevant Law

National Headquarters manages 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. Accordingly, 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:

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

NOTE 12 PERMANENTLY RESTRICTED NET ASSETS *(continued)*

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

	2012	2011
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	250,000
Wilfred B. Doner Multiple Sclerosis Student Scholarship Fund	15,500	15,500
Andrea Leeds Fund	760,000	860,000
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	$ 3,644,833	$ 3,744,833

Return Objectives and Risk Parameters

The Society's endowment fund consists of assets that must be held in perpetuity or for specified time periods as stipulated by the respective donors. National Headquarters has maintained its investment and spending policies for endowment assets aimed at providing predictable and steady support for the Society's research, programmatic and administrative activities. Under this policy, as provided by the Board, the endowment assets are invested in a manner intended to preserve their value consistent with such donor stipulations, minimize the effect of high economic volatility and/or low investment return and provide funding for the programs specified by the donors.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The investment objectives require disciplined and consistent management philosophies that accommodate all relevant, reasonable, and probable. Therefore, the total rate of return and spending rate objectives are reviewed periodically. Extreme positions or variations in management style are not consistent with these objectives. The Board 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.

NOTE 12 PERMANENTLY RESTRICTED NET ASSETS *(continued)*

The following table summarizes the activity in the investment of endowment assets:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Year ended September 30, 2011				
Net endowment assets, at beginning of year	$ (934,848)	$ -	$ 3,494,833	$ 2,559,985
Contribution received	-	-	250,000	250,000
Investment return	(12,002)	-	-	(12,002)
Net endowment assets at end of year	$ (946,850)	$ -	$ 3,744,833	$ 2,797,983
Year ended September 30, 2012				
Net endowment assets, at beginning of year	$ (946,850)	$ -	$ 3,744,833	$ 2,797,983
Released from restriction	100,000	-	(100,000)	-
Appropriation for expenditures	(50,000)	-	-	(50,000)
Distribution to a chapter	(50,000)	-	-	(50,000)
Investment return	200,394	165,796	-	366,190
Net endowment assets, at end of year	$ (746,456)	$ 165,796	$ 3,644,833	$ 3,064,173

Permanently restricted endowments with original values totaling approximately $1,395,000 and $3,255,000 had underlying investments with a fair value of approximately $648,000 and $2,285,000 at September 30, 2012 and 2011, respectively.

NOTE 13 ALLOCATION OF JOINT COSTS

In fiscal 2012 and 2011, National Headquarters incurred joint costs of approximately $9,087,000 and $8,327,000, 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 $6,674,000 and $5,897,000 to fundraising expense, approximately $632,000 and $570,000 to public education, and approximately $1,781,000 and $1,860,000 to management and general in fiscal 2012 and 2011, respectively.

NOTE 14 CHAPTER SUMMARIZED FINANCIAL INFORMATION

Summarized financial information for the chapters at September 30, 2012 and 2011 and for the years then ended, as reported in the chapters' financial statements that were audited primarily by other auditors, is approximately as follows:

	2012	2011
Total assets	$ 92,309,000	$ 94,966,000
Total liabilities	$ 29,905,000	$ 29,809,000
Net assets	62,404,000	65,157,000
	$ 92,309,000	$ 94,966,000
Total support, revenue and reclassifications	$ 189,395,000	$ 194,650,000
Total expenses	192,148,000	191,997,000
Change in net assets	$ (2,753,000)	$ 2,653,000

NOTE 15 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 the chapters. There are no fees or interest charges related to the line of credit unless funds are drawn against it. Withdrawals against the line of credit bear interest at LIBOR plus 0.25%; however, there have been no withdrawals made since its inception. The line of credit does not have an expiration date.

NOTE 16 SUBSEQUENT EVENTS

National Headquarters has evaluated subsequent events through, April 15, 2013, the date the financial statements were approved for issuance. There were no subsequent events that should be accounted for or require disclosure in the accompanying consolidated financial statements.

ADDITIONAL INFORMATION

NATIONAL MULTIPLE SCLEROSIS SOCIETY
(NATIONAL HEADQUARTERS) AND AFFILIATE
Consolidating Statement of Financial Position
September 30, 2012

	National Headquarters	Fast Forward, LLC	Eliminations	Consolidated
ASSETS				
Current assets				
Cash and cash equivalents	$ 30,915,308	$ -	$ -	$ 30,915,308
Contributions receivable from chapters and others	108,184	25,232	-	133,416
Due from chapters for National Headquarters' activities, campaign materials, and advances, less allowance of approximately $2,048,000	6,509,528	-	-	6,509,528
Due from Fast Forward, LLC	717,938	-	(717,938)	-
Prepaid expenses, other assets and other receivables, less allowance of approximately $42,000	2,154,012	1,236,379	-	3,390,391
Total current assets	40,404,970	1,261,611	(717,938)	40,948,643
Non-current assets				
Investments, at fair value	31,722,139	801,073	-	32,523,212
Beneficial interests in trusts	116,832	-	-	116,832
Property and equipment, net	4,831,166	554	-	4,831,720
Total non-current assets	36,670,137	801,627	-	37,471,764
Total assets	$ 77,075,107	$ 2,063,238	$ (717,938)	$ 78,420,407
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued expenses	$ 6,982,619	$ 816,222	$ -	$ 7,798,841
Grants payable	36,251,123	-	-	36,251,123
Due to chapters	324,406	-	-	324,406
Due to National Multiple Sclerosis Society	-	717,938	(717,938)	-
Deferred income	75,000	491,011	-	566,011
Total current liabilities	43,633,148	2,025,171	(717,938)	44,940,381
Noncurrent liabilities				
Deferred rent	1,891,306	-	-	1,891,306
Due to chapters–long-term portion	4,090,366	-	-	4,090,366
Liability to annuitants	2,358,096	-	-	2,358,096
Total non-current liabilities	8,339,768	-	-	8,339,768
Total liabilities	51,972,916	2,025,171	(717,938)	53,280,149
Commitments				
Net assets				
Unrestricted	15,322,401	38,067	-	15,360,468
Temporarily restricted	6,134,957	-	-	6,134,957
Permanently restricted	3,644,833	-	-	3,644,833
Total net assets	25,102,191	38,067	-	25,140,258
Total liabilities and net assets	$ 77,075,107	$ 2,063,238	$ (717,938)	$ 78,420,407

NATIONAL MULTIPLE SCLEROSIS SOCIETY
(NATIONAL HEADQUARTERS) AND AFFILIATE
Consolidating Statement of Activities
For the Year Ended September 30, 2012

	National Headquarters	Fast Forward, LLC	Eliminations	Consolidated
SUPPORT, REVENUE, AND RECLASSIFICATIONS				
Support				
Contributions from chapters	$ 74,994,276	$ 345,371	$ -	$ 75,339,647
Contributions for research and development	912,179	669,600	-	1,581,779
Dues and contributions from members and others (includes donated services of $403,920 and public service announcements of $4,063,472)	24,758,154	-	-	24,758,154
Federal Services Campaign for National Health agencies	16,080	-	-	16,080
Revenue				
Advertising, program fees, and other revenue	2,516,414	615,868	-	3,132,282
Investment return	2,247,846	(936,878)	-	1,310,968
Total support and revenue	105,444,949	693,961	-	106,138,910
Net assets released from restrictions	-	-	-	-
Total support, revenue, and reclassifications	105,444,949	693,961	-	106,138,910
EXPENSES				
Program services				
Research and research fellowships	39,744,772	3,510,463	-	43,255,235
Client and community services	9,083,351	-	-	9,083,351
Professional education and training	1,997,952	-	-	1,997,952
Public education	8,506,966	-	-	8,506,966
Services to chapters	23,566,071	-	-	23,566,071
Total program services	82,899,112	3,510,463	-	86,409,575
Supporting services				
Fundraising	7,745,953	-	-	7,745,953
Management and general	7,172,726	301,545	-	7,474,271
Total supporting services	14,918,679	301,545	-	15,220,224
Payments to chapters	3,830,709	-	-	3,830,709
Total expenses	101,648,500	3,812,008	-	105,460,508
CHANGE IN NET ASSETS	3,796,449	(3,118,047)	-	678,402
NET ASSETS, AT BEGINNING OF YEAR	21,305,742	3,156,114	-	24,461,856
NET ASSETS, AT END OF YEAR	$ 25,102,191	$ 38,067	$ -	$ 25,140,258