COMBINED FINANCIAL STATEMENTS

National Multiple Sclerosis Society

Year ended September 30, 2007
with summarized financial information for
the year ended September 30, 2006

National Multiple Sclerosis Society
Combined Statement of Financial Position
For the Year Ended September 30, 2007

	2007 Combined	2006 Combined
Assets:		
Cash and cash equivalents	$ 71,608,896	$ 71,326,976
Investments - at approximate market	70,459,231	61,820,165
Contributions receivable	18,044,812	17,074,750
Prepaid expenses and other assets	6,183,091	6,655,810
Fixed Assets, at cost, net of accumulated depreciation and amortization of $35,042,575 and $31,454,251 respectively	12,703,609	12,743,785
Total Assets	$ 178,999,639	$ 169,621,486
Liabilities and net assets:		
Accounts payable and accrued expenses	66,888,240	56,973,547
Deferred Income	5,915,803	8,156,036
Total liabilities	72,804,043	65,129,583
Commitments (Notes 4 and 6)		
Net assets:		
Unrestricted	75,603,049	76,773,260
Temporarily restricted (Note 2)	21,170,800	19,778,724
Permanently restricted (Note 2)	9,421,747	7,939,919
Total net assets	106,195,596	104,491,903
Total liabilities and net assets	$ 178,999,639	$ 169,621,486

See accompanying notes

National Multiple Sclerosis Society
Combined Statement of Activities
Year Ended September 30, 2007 with summarized financial information for the year ended September 30, 2006

	2007				2006
	Unrestricted	Temporarily Restricted	Permanently Restricted	Combined Totals	Totals
Support, revenue and reclassifications					
Support					
Received directly:					
Contributions from members and others	$ 31,145,577	$ 31,516,155	$ 1,365,402	$ 64,027,134	$ 59,991,749
Legacies and bequests	7,913,857	1,086,291	75,000	9,075,148	7,429,941
Gaming proceeds	186,172			186,172	362,041
Special events	167,280,275	9,461,629		176,741,904	160,139,551
Less: Benefit to donor expenses	(26,463,408)	(465,970)		(26,929,378)	(24,656,996)
Total received directly	180,062,473	41,598,105	1,440,402	223,100,980	203,266,286
Received indirectly:					
Federal services campaign for National Health Agencies	420,469	9,613		430,082	552,745
Allocated by federated fundraising organizations	1,280,168	736,759		2,016,927	2,457,213
Government grants	2,168,291	560,422		2,728,713	2,074,328
Total received indirectly	3,868,928	1,306,794	-	5,175,722	5,084,286
Total support	183,931,401	42,904,899	1,440,402	228,276,702	208,350,572
Revenue:					
Investment return and other	11,504,388	1,439,115	86,974	13,030,477	11,598,072
Total revenue	11,504,388	1,439,115	86,974	13,030,477	11,598,072
Total support and revenue	195,435,789	44,344,014	1,527,376	241,307,179	219,948,644
Net assets released from restriction	42,997,486	(42,951,938)	(45,548)	-	
Total support, revenue and reclassification	238,433,275	1,392,076	1,481,828	241,307,179	219,948,644
Expenses:					
Program services:					
Research and research fellowships	50,940,905			50,940,905	46,324,438
Client and community services	80,544,328			80,544,328	70,994,778
Professional education and training	7,719,858			7,719,858	7,780,387
Public education	32,024,070			32,024,070	31,232,454
Services to Chapters	16,063,099			16,063,099	15,484,332
Total program services	187,292,260			187,292,260	171,816,389
Supporting services:					
Fund-raising	35,657,258			35,657,258	33,066,137
Management and general	16,653,968			16,653,968	13,228,752
Total supporting services	52,311,226			52,311,226	46,294,889
Total expenses	239,603,486			239,603,486	218,111,278
Change in net assets	(1,170,211)	1,392,076	1,481,828	1,703,693	1,837,366
Net assets at the beginning of the year	76,773,260	19,778,724	7,939,919	104,491,903	102,654,537
Net assets at the end of the year	75,603,049	21,170,800	9,421,747	106,195,596	104,491,903

See accompanying notes

National Multiple Sclerosis Society
Combined Statement of Cash Flows

	Year ended September 30	
Cash flow from operating activities	2007	2006
Change in net assets	$ 1,703,693	$ 1,837,366
Adjustments to reconcile change in net assets to		
net cash provided by operating activities:		
Depreciation and amortization	3,588,324	3,111,225
Changes in operating assets and liabilities:		
Contributions receivable	(970,062)	61,925
Prepaid expenses and other assets	472,719	399,474
Accounts payable and accrued expenses	9,914,693	(2,339,678)
Deferred Income	(2,240,233)	3,456,521
Net cash provided by operating activities	12,469,134	6,526,833
Cash flows from investing activities:		
Purchases of fixed assets	(3,548,148)	(6,806,241)
Net purchases/sales of securities	(8,639,066)	(8,896,848)
Net cash used in investing activities	(12,187,214)	(15,703,089)
Net increase in cash and cash equivalents	281,920	(9,176,256)
Cash and cash equivalents, beginning of year	71,326,976	80,503,232
Cash and cash equivalents, end of year	71,608,896	71,326,976

See accompanying notes

National Multiple Sclerosis Society
Combined Statement of Functional Expenses
Year Ended September 30, 2007
with summarized financial information for the year ended September 30, 2006

	Program Services						Support Services					
	Research and Research Fellowships	Client and Community Services	Professional Education and Training	Public Education	Services to Chapters	Total	Fund Raising	Management and General	Total	Benefit to Donor Expenses	Year Ended 2007	Reclassified September 30 2006
Research and research fellowship grants	$ 44,219,728	$ -	$ -	$ -	$ -	$ 44,219,728	$ -	$ -	$ -		$ 44,219,728	$ 39,984,502
Specific assistance to individuals and clinics	41,546	9,595,265	97,426	15,193	$ 23,777	9,773,207	$ 1,888	$ 7,554	9,442		9,782,649	8,443,184
Salaries	2,030,356	31,174,910	3,437,950	13,471,433	5,030,390	55,145,039	11,375,243	6,264,759	17,640,002	$ -	72,785,041	66,308,166
Retirement and health insurance benefits for	-						-					
employees	292,705	4,347,647	478,797	1,916,330	732,331	7,767,810	1,568,207	931,766	2,499,973	-	10,267,783	10,056,448
Payroll taxes	152,612	2,511,775	277,513	1,133,325	443,389	4,518,614	928,871	503,795	1,432,666	-	5,951,280	5,132,868
Travel	343,640	2,111,173	262,316	900,677	914,238	4,532,044	1,165,487	451,436	1,616,923	5,921,162	12,070,129	10,874,403
Professional fees and contract service payments	2,539,952	10,357,784	1,111,967	5,118,854	5,109,445	24,238,002	6,136,663	2,840,435	8,977,098	1,326,272	34,541,372	31,457,797
Printing and stationery	79,138	3,565,993	306,293	2,485,226	352,847	6,789,497	5,764,535	1,701,348	7,465,883	-	14,255,380	11,712,428
Dues, subscriptions and reprints	25,958	244,932	21,612	187,488	68,369	548,359	325,664	162,812	488,476	-	1,036,835	1,497,397
Office supplies	24,314	999,001	94,822	462,818	67,808	1,648,763	467,178	225,737	692,915	6,830,607	9,172,285	8,172,799
Rent and electricity	410,210	4,465,182	473,998	2,042,675	961,318	8,353,383	1,605,026	875,268	2,480,294	2,407,176	13,240,853	11,290,452
Insurance	64,653	840,314	95,864	347,960	163,110	1,511,901	301,299	150,850	452,149	-	1,964,050	2,012,176
Postage, trucking and express	27,111	1,725,450	159,201	1,233,968	85,933	3,231,663	3,208,216	1,138,949	4,347,165	-	7,578,828	7,753,810
Telephone	92,543	1,173,934	124,493	422,703	270,320	2,083,993	355,523	182,661	538,184	-	2,622,177	2,460,753
Conferences and meetings	130,350	3,452,457	317,477	1,197,441	565,785	5,663,510	655,456	382,732	1,038,188	1,324,911	8,026,609	7,335,638
Awards and other grants	64,337	1,329,918	100,762	51,774	63,742	1,610,533	82,357	28,655	111,012	6,581,293	8,302,838	7,373,966
Sundry equipment		635,992	65,465	300,250	-	1,001,707	273,392	104,304	377,696	-	1,379,403	1,563,647
Sundry	84,886	771,035	121,634	325,162	383,823	1,686,540	1,118,739	404,064	1,522,803	2,537,957	5,747,300	6,226,616
	50,624,039	79,302,762	7,547,590	31,613,277	15,236,625	184,324,293	35,333,744	16,357,125	51,690,869	26,929,378	262,944,540	239,657,050
Depreciation and amortization	316,866	1,241,566	172,268	410,793	826,474	2,967,967	323,514	296,843	620,357	-	3,588,324	3,111,224
Total expenses and benefit to donor costs	50,940,905	80,544,328	7,719,858	32,024,070	16,063,099	187,292,260	35,657,258	16,653,968	52,311,226	26,929,378	266,532,864	242,768,274
Less benefit to donor costs						-					(26,929,378)	(24,656,996)
Total expenses excluding benefit to donor costs											$ 239,603,486	$ 218,111,278
Total expenses and benefit to donor costs, September 30, 2006	$ 46,324,438	$ 70,994,778	$ 7,780,387	$ 31,232,454	$ 15,484,332	$ 171,816,389	$ 33,066,137	$ 13,228,752	$ 46,294,889	$ 24,656,996		$ 242,768,274

See accompanying notes

National Multiple Sclerosis Society
Notes to Combined Financial Statements
September 30, 2007

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 54 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, fund-raising, 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 $421,000 and $314,000 for the years ended September 30, 2007 and 2006 respectively, and have been recognized as revenue and expense. Other donated services that meet the criteria were valued at $506,000 and $412,000 for the years ended September 30, 2007 and 2006 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 $8,686,000 and $7,714,000 for 2007 and 2006, 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$8,686,000 and $2,409,000 for the years ended September 30, 2007 and 2006, 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:

	2007	2006
Cash & cash equivalents	$16,385,393	$16,004,613
Commercial Paper	-	103,145
Certificates of Deposit	250,000	250,000
Equities	23,114,778	17,278,468
Mutual Funds	10,344,450	11,010,159
Fixed Income Securities	13,403,670	10,646,771
Annuity Contracts	3,025,904	2,968,404
Investments related to charitable gift annuities	3,928,036	3,550,459
Other	7,000	8,146
Total	$70,459,231	$61,820,165

5. Fixed Assets

At September 30, fixed assets consist of the following:

	2007	2006
Furniture and Fixtures	$9,947,590	$9,916,634
Computer hardware and software	25,111,231	23,106,897
Equipment	5,983,713	5,818,341
Leasehold improvements	5,453,269	5,356,164
	$46,495,803	$44,198,036
Less: accumulated depreciation	33,792,194	31,454,251
Net Fixed Assets	$12,703,609	$12,743,785

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 period of three years. Commitments for research and fellowship projects approved for funding in fiscal 2007 have been recorded as of September 30, 2007 and included in the accompanying statement of financial position. The outstanding commitments for research and fellowship projects beyond fiscal 2008 are scheduled for funding approximately as follows:

2009	$26,250,000
2010	14,673,000
2011	3,641,000
2012	1,000,000
Total	$45,564,000

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. Contributions for the years ended September 30, 2007 and 2006, as determined by the Society's Board of Directors, were 7% of gross annual salary, as defined. Pension expense for the years ended September 30, 2007 and 2006, was approximately $3,743,000 and $3,312,000, respectively.

8. Leases Approximate future minimum lease commitments and related sub-lease income under the Society's various lease arrangements are as follows:

2008	$1,920,000
2009	1,824,000
2010	1,764,000
2011	1,764,000
2012	1,853,000
Thereafter	13,503,000
Sub-total	$22,628,000
Less: sublease income	4,967,000
Total future minimum rent	$17,661,000

Rent expense for the years ended September 30, 2007 and 2006 was $10,833,000 and $9,071,000 respectively.

9. Allocation of Joint Costs In fiscal 2007 and 2006, the Society incurred joint costs of $19,956,000 and $17,800,000, 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 $11,513,000 and $10,720,000, respectively, to fund-raising expense, approximately $4,887,000 and $5,371,000, respectively, to program services, and approximately $3,556,000 and $1,709,000, respectively, to management and general in fiscal 2007 and 2006.