National Multiple Sclerosis Society
Connecticut Chapter

Report on Financial Statements

Years Ended September 30, 2010 and 2009

NATIONAL MULTIPLE SCLEROSIS SOCIETY
CONNECTICUT CHAPTER

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Accountants and Consultants since 1919

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Report of Independent Public Accountants

To the Board of Trustees
National Multiple Sclerosis Society
Connecticut Chapter

We have audited the accompanying statements of financial position of National Multiple Sclerosis Society Connecticut Chapter (a nonprofit organization) as of September 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the management of National Multiple Sclerosis Society Connecticut Chapter. 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as 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 financial position of National Multiple Sclerosis Society Connecticut Chapter as of September 30, 2010 and 2009, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

J.H. Cohn LLP

Glastonbury, Connecticut
December 20, 2010

NATIONAL MULTIPLE SCLEROSIS SOCIETY
CONNECTICUT CHAPTER

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2010 AND 2009

ASSETS

	2010	2009
Current assets:		
Cash	**$ 309,269**	$ 357,294
Pledges and contributions receivable	**80,513**	385,886
Due from National Headquarters:		
Remittance due from National	**-**	71,879
Other payables due from National	**-**	9,258
Due from other Chapters	**8,503**	5,225
Prepaid expenses	**62,584**	46,296
Interest receivable	**1,584**	1,905
Total current assets	**462,453**	877,743
Equipment, furniture and improvements:		
Office equipment	**145,369**	166,440
Furniture	**63,612**	63,612
Medical equipment	**8,100**	11,135
	217,081	241,187
Less accumulated depreciation and amortization	**(177,578)**	(182,135)
Total equipment, furniture and improvements, net	**39,503**	59,052
Other assets:		
Investments	**1,801,298**	1,553,453
Restricted cash	**25,694**	64,237
Planned gifts:		
Charitable remainder trusts	**152,430**	150,127
Total other assets	**1,979,422**	1,767,817
Totals	**$ 2,481,378**	$ 2,704,612

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	**$ 204,459**	$ 231,075
Contribution payable	**-**	300,000
Deferred revenue	**24,450**	35,190
Due to National Headquarters:		
Remittance due to National	**46,961**	-
Other payables due to National	**4,339**	-
Total current liabilities	**280,209**	566,265
Commitments		
Net assets:		
Unrestricted	**1,304,073**	1,027,904
Temporarily restricted	**306,507**	570,456
Permanently restricted	**590,589**	539,987
Total net assets	**2,201,169**	2,138,347
Totals	**$ 2,481,378**	$ 2,704,612

See Notes to Financial Statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY

CONNECTICUT CHAPTER

STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010				2009			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	Unrestricted	Temporarily Restricted	Permanently Restricted	**Total**
Public support:								
Received directly:								
Special events (including in-kind of $29,566 and $53,287, respectively)	**$ 2,796,563**	**$ -**	**$ -**	**$ 2,796,563**	$ 2,770,649	$ -	$ -	$ 2,770,649
Less benefit to donor costs	**(271,836)**	**-**	**-**	**(271,836)**	(283,042)	-	-	(283,042)
	2,524,727	**-**	**-**	**2,524,727**	2,487,607	-	-	2,487,607
Membership and contributions (including in-kind of $5,000 and $15,677, respectively)	**801,966**	**(1,995)**	**50,602**	**850,573**	845,495	18,623	64,160	928,278
Legacies - received by Chapter	**2,052**	**9,120**	**-**	**11,172**	61,538	8,598	-	70,136
Received at National Headquarters (other than legacies)	**353,550**	**-**	**-**	**353,550**	378,439	-	-	378,439
	3,682,295	**7,125**	**50,602**	**3,740,022**	3,773,079	27,221	64,160	3,864,460
Received indirectly:								
Combined Health Appeal and United Way	**174,439**	**-**	**-**	**174,439**	194,525	-	-	194,525
Total support from the public	**3,856,734**	**7,125**	**50,602**	**3,914,461**	3,967,604	27,221	64,160	4,058,985
Other revenue:								
Investment income (loss)	**147,728**	**30,377**	**-**	**178,105**	13,777	(897)	-	12,880
Service fee income	**3,575**	**-**	**-**	**3,575**	5,519	-	-	5,519
Miscellaneous revenue	**11,398**	**-**	**-**	**11,398**	19,910	-	-	19,910
	162,701	**30,377**	**-**	**193,078**	39,206	(897)	-	38,309
Net assets released from restriction	**301,451**	**(301,451)**	**-**	**-**	2,923	(2,923)	-	-
Total support and revenue	**4,320,886**	**(263,949)**	**50,602**	**4,107,539**	4,009,733	23,401	64,160	4,097,294
Expenses:								
Program services:								
Research	**867,511**	**-**	**-**	**867,511**	834,432	-	-	834,432
Public support to National Headquarters	**496,986**	**-**	**-**	**496,986**	419,285	-	-	419,285
Client programs	**663,976**	**-**	**-**	**663,976**	662,682	-	-	662,682
Community services	**525,258**	**-**	**-**	**525,258**	952,344	-	-	952,344
Professional education and training	**65,122**	**-**	**-**	**65,122**	50,325	-	-	50,325
Public education	**796,323**	**-**	**-**	**796,323**	893,894	-	-	893,894
Total program services	**3,415,176**	**-**	**-**	**3,415,176**	3,812,962	-	-	3,812,962
Supporting services:								
Fundraising	**324,651**	**-**	**-**	**324,651**	307,723	-	-	307,723
Management and general	**304,890**	**-**	**-**	**304,890**	267,583	-	-	267,583
Total supporting services	**629,541**	**-**	**-**	**629,541**	575,306	-	-	575,306
Total expenses	**4,044,717**	**-**	**-**	**4,044,717**	4,388,268	-	-	4,388,268
Change in net assets	**276,169**	**(263,949)**	**50,602**	**62,822**	(378,535)	23,401	64,160	(290,974)
Net assets, beginning of year	**1,027,904**	**570,456**	**539,987**	**2,138,347**	1,406,439	547,055	475,827	2,429,321
Net assets, end of year	**$ 1,304,073**	**$ 306,507**	**$ 590,589**	**$ 2,201,169**	$ 1,027,904	$ 570,456	$ 539,987	$ 2,138,347

See Notes to Financial Statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY
CONNECTICUT CHAPTER

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2010

	Program Services							Supporting Services				
	Research	National Headquarters Activities	Client Programs	Community Services	Professional Education and Training	Public Education	Total Program Services	Fund Raising	Manage-ment and General	Total Supporting Services	Benefit to Donor Costs	Total
Salaries	$ -	$ -	$ 217,269	$ 339,484	$ 40,738	$ 461,698	$ 1,059,189	$ 108,635	$ 190,110	$ 298,745	$ -	$ 1,357,934
Employee benefits	-	-	36,330	56,766	6,812	77,201	177,109	18,165	31,789	49,954	-	227,063
Payroll taxes	-	-	19,554	30,554	3,666	41,553	95,327	9,777	17,111	26,888	-	122,215
Total salaries and related expenses	-	-	273,153	426,804	51,216	580,452	1,331,625	136,577	239,010	375,587	-	1,707,212
Professional fees	-	-	146,252	28,697	3,244	90,070	268,263	43,168	28,669	71,837	-	340,100
Awards and prizes for individuals and other organizations	-	-	970	41	5	56	1,072	2,744	24	2,768	54,309	58,149
Printing and artwork	-	-	42,846	1,899	182	25,248	70,175	46,789	598	47,387	-	117,562
Rent and other rent related expenses	-	-	22,302	34,847	4,182	47,392	108,723	11,151	19,514	30,665	25,262	164,650
Depreciation and amortization	-	-	3,648	5,701	684	7,753	17,786	1,824	3,192	5,016	-	22,802
Postage and shipping	-	-	22,515	1,721	302	8,112	32,650	23,798	662	24,460	-	57,110
Meetings	-	-	35,391	2,395	2,558	2,892	43,236	3,201	997	4,198	17,724	65,158
Travel, food and beverage	-	-	6,769	2,854	377	4,066	14,066	16,548	1,161	17,709	133,677	165,452
Disbursements made on behalf of individuals with multiple sclerosis	-	-	75,328	-	-	-	75,328	-	-	-	-	75,328
Furniture and equipment repair and service contracts	-	-	4,693	7,334	880	9,974	22,881	2,347	4,106	6,453	-	29,334
Supplies	-	-	1,194	942	104	1,506	3,746	2,485	483	2,968	35,432	42,146
Insurance	-	-	4,280	6,688	803	9,095	20,866	2,140	3,745	5,885	-	26,751
Telephone and facsimile	-	-	4,056	1,085	75	849	6,065	200	349	549	-	6,614
Miscellaneous	-	-	16,727	4,210	505	9,054	30,496	31,666	2,358	34,024	5,432	69,952
Dues and memberships	-	-	3,852	40	5	(196)	3,701	13	22	35	-	3,736
National Headquarters:												
Promise 2010 Campaign	76,372	-	-	-	-	-	76,372	-	-	-	-	76,372
Program expense	791,139	-	-	-	-	-	791,139	-	-	-	-	791,139
Total expenses before public support to National Headquarters	867,511	-	663,976	525,258	65,122	796,323	2,918,190	324,651	304,890	629,541	271,836	3,819,567
Public support to National Headquarters	-	496,986	-	-	-	-	496,986	-	-	-	-	496,986
Total expenses	$ 867,511	$ 496,986	$ 663,976	$ 525,258	$ 65,122	$ 796,323	$ 3,415,176	$ 324,651	$ 304,890	$ 629,541	$ 271,836	4,316,553
Less direct benefit to donor costs												(271,836)
Total expenses as reported on the statement of activities												$ 4,044,717

See Notes to Financial Statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY
CONNECTICUT CHAPTER

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2009

	Program Services							Supporting Services				
	Research	National Headquarters Activities	Client Programs	Community Services	Professional Education and Training	Public Education	Total Program Services	Fund Raising	Manage-ment and General	Total Supporting Services	Benefit to Donor Costs	Total
Salaries	$ 14,032	$ -	$ 224,515	$ 350,804	$ 28,064	$ 477,093	$ 1,094,508	$ 140,322	$ 168,386	$ 308,708	$ -	$ 1,403,216
Employee benefits	2,068	-	33,080	51,688	4,135	70,295	161,266	20,675	24,810	45,485	-	206,751
Payroll taxes	1,272	-	20,350	31,797	2,544	43,244	99,207	12,719	15,263	27,982	-	127,189
Total salaries and related expenses	17,372	-	277,945	434,289	34,743	590,632	1,354,981	173,716	208,459	382,175	-	1,737,156
Professional fees	2,498	-	111,690	412,966	4,801	104,730	636,685	18,261	23,979	42,240	-	678,925
Awards and prizes for individuals and other organizations	10	-	4,203	274	20	303	4,810	499	98	597	36,539	41,946
Printing and artwork	486	-	41,157	2,156	784	60,150	104,733	36,022	206	36,228	-	140,961
Rent and other rent related expenses	1,939	-	34,902	54,291	3,878	60,108	155,118	19,390	19,390	38,780	20,024	213,922
Depreciation and amortization	319	-	5,746	8,938	638	9,896	25,537	3,192	3,191	6,383	-	31,920
Postage and shipping	340	-	23,961	3,360	475	20,248	48,384	14,189	436	14,625	-	63,009
Meetings	8,685	-	28,361	1,496	2,206	805	41,553	2,195	232	2,427	21,380	65,360
Travel, food and beverage	279	-	9,794	5,112	632	5,880	21,697	20,571	1,499	22,070	168,784	212,551
Disbursements made on behalf of individuals with multiple sclerosis	-	-	73,220	-	-	-	73,220	-	-	-	-	73,220
Furniture and equipment repair and service contracts	330	-	5,942	9,243	660	10,233	26,408	3,301	3,302	6,603	-	33,011
Supplies	34	-	1,447	1,008	199	2,196	4,884	1,922	343	2,265	32,981	40,130
Insurance	329	-	5,928	9,222	659	10,210	26,348	3,294	3,294	6,588	-	32,936
Telephone and facsimile	55	-	5,968	2,690	109	1,693	10,515	546	547	1,093	-	11,608
Miscellaneous	252	-	29,116	7,061	504	16,126	53,059	10,540	1,605	12,145	3,334	68,538
Subscriptions and publications	-	-	3,156	11	1	432	3,600	4	4	8	-	3,608
Advertising	8	-	146	227	16	252	649	81	81	162	-	811
Loss on disposal of equipment	-	-	-	-	-	-	-	-	917	917	-	917
National Headquarters:												
Promise 2010 Campaign	60,483	-	-	-	-	-	60,483	-	-	-	-	60,483
Program expense	741,013	-	-	-	-	-	741,013	-	-	-	-	741,013
Total expenses before public support to National Headquarters	834,432	-	662,682	952,344	50,325	893,894	3,393,677	307,723	267,583	575,306	283,042	4,252,025
Public support to National Headquarters	-	419,285	-	-	-	-	419,285	-	-	-	-	419,285
Total expenses	$ 834,432	$ 419,285	$ 662,682	$ 952,344	$ 50,325	$ 893,894	$ 3,812,962	$ 307,723	$ 267,583	$ 575,306	$ 283,042	4,671,310
Less direct benefit to donor costs												(283,042)
Total expenses as reported on the statement of activities												$ 4,388,268

See Notes to Financial Statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY
CONNECTICUT CHAPTER

STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010	2009
Operating activities:		
Change in net assets	**$ 62,822**	$ (290,974)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	**22,802**	31,920
Loss on disposal of equipment	**-**	917
Realized loss on investments	**76,686**	-
Unrealized (gain) loss on investments	**(193,998)**	62,206
Changes in operating assets and liabilities:		
Pledges and contributions receivable	**305,373**	403,249
Interest receivable	**321**	(1,905)
Charitable gift annuities	**(2,303)**	(5,444)
Prepaid expenses	**(16,288)**	(15,374)
Accounts payable and accrued expenses	**(26,616)**	(107,662)
Contribution payable	**(300,000)**	-
Deferred revenue	**(10,740)**	(53,806)
Due to/from National Headquarters	**129,159**	(89,057)
Net cash provided by (used in) operating activities	**47,218**	(65,930)
Investing activities:		
Purchase of equipment and furniture	**(3,253)**	(24,951)
Proceeds from sale of investments	**461,367**	-
Purchase of investments	**(591,900)**	(433,848)
Restricted cash	**38,543**	(64,237)
Net cash used in investing activities	**(95,243)**	(523,036)
Net decrease in cash	**(48,025)**	(588,966)
Cash, beginning of year	**357,294**	946,260
Cash, end of year	**$ 309,269**	$ 357,294

See Notes to Financial Statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY
CONNECTICUT CHAPTER

NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization and summary of significant accounting policies:

Organization:

National Multiple Sclerosis Society Connecticut Chapter (the "Organization") is a nonprofit organization providing support to individuals with multiple sclerosis and to their families. These services are funded by contributions and bequests from individuals, foundations, corporations and earnings on the Organization's investments. The National Multiple Sclerosis Society consists of its National Headquarters ("National") and approximately 50 established Chapters throughout the country. These financial statements represent only the activities of the Connecticut Chapter.

Basis of presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. They are described as follows:

Unrestricted Net Assets - Unrestricted net assets represent available resources other than donor-restricted contributions. Included in unrestricted net assets are grants and contracts, which may be earmarked for special purposes.

Temporarily Restricted Net Assets - Temporarily restricted net assets represent contributions that are restricted by the donor for a specific purpose, time of expenditure, or by operation of law.

Permanently Restricted Net Assets - Permanently restricted net assets represent contributions that are restricted to be permanently maintained by the Organization and specify the use of income and/or appreciation as either unrestricted or temporarily restricted based on donor stipulations or by operation of law. Income and/or appreciation that is unrestricted is classified as temporarily restricted until appropriated by the Board of Trustees.

Income taxes:

National Multiple Sclerosis Society Connecticut Chapter is a nonprofit organization operating under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from Federal and state income taxes. However, certain operations of the Organization may qualify as unrelated business taxable income and to the extent that these operations generate income, they will be subject to Federal and state taxes. No provision for income taxes has been recorded in the financial statements. Additionally, contributions to the Organization qualify for the maximum charitable contribution deduction under the Internal Revenue Code.

Note 1 – Organization and summary of significant accounting policies (continued):

Income taxes (concluded):

The Organization adopted the new accounting for uncertainty in income taxes guidance on October 1, 2009. The adoption of that guidance did not result in the recognition of any unrecognized tax benefits and the Organization has no unrecognized tax benefits at September 30, 2010. The Organization's U.S. Federal information returns prior to 2007 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If the Organization had unrelated business income taxes, it would recognize interest and penalties associated with any tax matters as part of the income tax provision and include accrued interest and penalties with the related tax liability in the statements of financial position.

Revenue recognition:

Unconditional contributions are recognized as support when received or pledged, if applicable. Contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of such assets. When a restriction expires, that is when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization's policy is to present temporarily restricted net assets received during the year whose restrictions are also met during the current year as unrestricted net assets.

Legacies and bequests are recognized when rights to the gift have been legally established and the proceeds are measurable.

Grants and sponsorships recognized as exchange transactions are deemed to be earned and reported as revenue and support when the Organization has expended funds which meet the specific restrictions. Unexpended amounts are classified as deferred revenue in the accompanying statement of financial position.

Allowances:

The Organization regularly monitors receivables arising from regular operations to determine if an allowance for doubtful accounts is deemed necessary. Management considers past history, current economic conditions and overall viability of the third party. Receivables are written off only when management believes amounts will not be collected. Receivables are considered past due based on the invoice or pledge date. No allowance is required as of September 30, 2010 and 2009, as management believes all amounts are collectible.

Pledges and contributions receivable:

Pledges and contributions receivable are recorded at their net realizable value which approximates fair value. Receivables that are expected to be collected in future years are discounted to their present values.

Note 1 – Organization and summary of significant accounting policies (continued):

Equipment, furniture and improvements:

Donated furniture and equipment is stated at fair value as determined by management at the date contributed. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Assets purchased are recorded at cost. Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the assets or the terms of the lease, as appropriate. All assets are depreciated over 3-5 years.

Maintenance and repair costs are charged to operations as incurred. The costs and accumulated depreciation relating to assets sold or retired are removed from the account balance at the time of the disposition and the related gains and losses are included in the change in net assets.

Investments

Investments in marketable securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Endowment and spending policy:

The Organization has investment policies for endowment assets that attempt to provide a reasonably predictable stream of funding for programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in accordance with sound investment practices that emphasize long-term investment fundamentals. It is recognized that short-term market fluctuations may cause variations in account performance.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization can prudently invest for total return (income and gain) in any mix of investment vehicles considering general economic conditions, the possible effect of inflation or deflation, the role that each investment or course of action plays within the overall investment portfolio, the expected total return from income and the appreciation of investments, and the needs of the Organization and the endowment funds to make distributions and to preserve capital to achieve its long-term return objectives within prudent risk constraints.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Organization and summary of significant accounting policies (concluded):

Endowment and spending policy (concluded):

The Organization's policy of appropriating for distribution each year is such that it allows for spending or accumulating so much of the appreciation as is prudent considering preservation of the endowment, purposes of the Organization and endowment fund, general economic conditions, possible effect of inflation or deflation, expected total return from income and appreciation, other resources of the Organization, and the investment policy. This policy will enable the Organization to consider the long-term expected return on its endowment. Accordingly, over the long-term, the Organization expects the proposed spending policy to allow its endowment to grow over time. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Functional allocation of expenses:

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated, using percentages based upon payroll studies and specific expense allocation records, among the programs and supporting services benefited.

Donated services and materials:

The Organization recognizes donated services if they create or enhance non-financial assets or require specialized skills and would typically be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition in the financial statements. However, a substantial number of volunteers have donated significant amounts of time to the Organization's programs. Donated materials, which are contributed by outside parties, are recorded as support and as expense, when measurable, in the period in which the materials are donated.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events:

The Organization has evaluated events and transactions for potential recognition or disclosure through December 20, 2010 which is the date the financial statements were available to be issued.

Note 2 - Concentrations of credit risk:

Financial instruments which potentially subject the Organization to concentration of credit risk consist principally of cash, pledges and contribution receivables and investments. The Organization maintains its cash with high-credit quality financial institutions.

Note 2 - Concentrations of credit risk (concluded):

The Organization's revenue is principally derived from individuals, corporations and foundations primarily in the State of Connecticut.

The Organization invests in various debt and equity securities. These investment securities are recorded at fair value. Accordingly, the fair value of investment securities can fluctuate because of interest rates, liquidity, credit and other risks depending on the nature of the specific investment. Therefore, it is at least reasonably possible that these factors will result in changes in the fair value of the Organization's investments which could materially affect amounts reported in the financial statements.

Note 3 - Investments:

Investments consist of the following:

2010	**Cost**	**Fair Value**	**Unrealized Gains (Losses)**
Mutual (equity) funds	**$ 971,966**	**$ 874,188**	**$ (97,778)**
Mutual (bond) funds	**390,942**	**406,539**	**15,597**
Other investment	**375,750**	**375,750**	**-**
Money market funds	**144,821**	**144,821**	**-**
Totals	**$ 1,883,479**	**$ 1,801,298**	**$ (82,181)**

2009	Cost	Fair Value	Unrealized Gains (Losses)
Mutual (equity) funds	$ 1,259,380	$ 977,147	$ (282,233)
Mutual (bond) funds	191,141	197,195	6,054
Other investment	375,750	375,750	-
Money market funds	3,361	3,361	-
Totals	$ 1,829,632	$ 1,553,453	$ (276,179)

The following schedule summarizes the investment income (loss) and its classification in the statements of activities for the years ended September 30, 2010 and 2009:

	2010	2009
Interest and dividend income	**$ 54,294**	$ 66,691
Interest and dividend income restricted for local use	**6,499**	8,395
Realized loss on investments	**(76,686)**	-
Unrealized gain (loss) on investments	**193,998**	(62,206)
Total investment income (loss)	**$ 178,105**	$ 12,880

Note 4 - Fair value measurements:

The Organization values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy was established that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. There have been no changes in the methodologies used during fiscal years 2010 and 2009.

Financial assets carried at fair value at September 30, 2010 are classified in the table below in one of the three categories described above:

	Total	Level 1	Level 2	Level 3
Mutual (equity) funds:				
Large Blend	$ 317,275	$ 317,275	$ -	$ -
Small/Mid Cap Blend	222,079	222,079	-	-
Foreign Large Blend	220,619	220,619	-	-
Commodities	72,832	72,832	-	-
Natural Resources	41,383	41,383	-	-
Total mutual (equity) funds	874,188	874,188	-	-
Mutual (bond) funds:				
Intermediate-term	135,585	135,585	-	-
Short-term government	134,253	134,253		
High yield	69,052	69,052		
Inflation-protected	67,649	67,649		
Total mutual (bond) funds	406,539	406,539	-	-
Other investment	375,750	-	375,750	-
Charitable remainder trust	152,430	-	-	152,430
Money market funds	144,821	-	144,821	-
	$ 1,953,728	$ 1,280,727	$ 520,571	$ 152,430

Note 4 - Fair value measurements (concluded):

Financial assets carried at fair value at September 30, 2009 are classified in the table below in one of the three categories described above:

	Total	Level 1	Level 2	Level 3
Mutual (equity) funds	$ 977,147	$ 977,147	$ -	$ -
Mutual (bond) funds	197,195	197,195	-	-
Other investment	375,750	-	375,750	-
Charitable remainder trust	150,127	-	-	150,127
Money market funds	3,361	-	3,361	-
	$ 1,703,580	$ 1,174,342	$ 379,111	$ 150,127

Investments in equity and bond fund securities are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

The assets held in money market funds and other investment are valued based on yields currently available on comparable securities of issuers with similar credit ratings (Level 2). Charitable remainder trust held by others (Level 3) is determined by calculating the present value of the future distributions expected to be received using published life expectancy tables and a 6.075% discount rate. See Note 13 for activity related to the charitable remainder trust.

Note 5 - Endowment:

The Organization's endowment includes all donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Management has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act ("CTUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Trustees in a manner consistent with the standard of prudence prescribed by CTUPMIFA. In accordance with CTUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund

Note 5 - Endowment (continued):

3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

Changes in endowment net assets for the year ended September 30, 2010 was as follows:

	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, beginning of year	**$ -**	**$ 92,320**	**$ 539,987**	**$ 632,307**
Investment income	**-**	**27,547**	**-**	**27,547**
Net realized and unrealized appreciation	**-**	**23,879**	**-**	**23,879**
Contributions	**-**	**4,322**	**50,602**	**54,924**
Amounts appropriated for expenditure	**-**	**(22,500)**	**-**	**(22,500)**
Endowment net assets, end of year	**$ -**	**$ 125,568**	**$ 590,589**	**$ 716,157**

Changes in Endowment net assets for the year ended September 30, 2009 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 88,649	$ 475,827	$ 564,476
Investment income	-	28,559	-	28,559
Net realized and unrealized depreciation	-	(9,291)	-	(9,291)
Contributions	-	7,491	64,160	71,651
Amounts appropriated for expenditure	-	(23,088)	-	(23,088)
Endowment net assets, end of year	$ -	$ 92,320	$ 539,987	$ 632,307

As of September 30, 2010 and 2009, all endowment funds were donor restricted.

Note 5 - Endowment (concluded):

Endowment funds classified as permanently restricted net assets as of September 30, 2010 and 2009 are available for the following purposes:

	2010	2009
Hayley's Hope and Michaela's Miracle MS Memorial Fund (investment income is restricted for family programs, pediatric MS and scholarships)	**$ 490,589**	$ 439,987
Moeller Endowment Fund (investment income is restricted for local use)	**100,000**	100,000
Totals	**$ 590,589**	$ 539,987

Endowment funds classified as temporarily restricted net assets as of September 30, 2010 and 2009 are available for the following purposes:

	2010	2009
Susan Hyams Fund (income from this fund is restricted for local family programs, principal may be spent by joint agreement of the Board of Trustees and the Hyams' family)	**$ 47,257**	$ 39,224
Ray Howell Fund (income from this fund is restricted for local chapter services only; however, the Board of Trustees may decide to spend the fund's principal in accordance with National's guidelines)	**39,107**	34,639
Moeller Endowment Fund (investment income is restricted for local use)	**33,729**	18,457
Hayley's Hope and Michaela's Miracle MS Memorial Fund (investment income is restricted for family programs, pediatric MS and scholarships)	**5,475**	-
Totals	**$ 125,568**	$ 92,320

Note 6 - Temporarily restricted net assets:

Temporarily restricted net assets are available for the following purposes:

	2010	2009
Contributions restricted for the Joyce D. and Andrew J. Mandell Center for Comprehensive Multiple Sclerosis Care and Neuroscience Research Center	**$ -**	$ 300,000
Charitable remainder trust	**152,930**	150,127

Note 6 - Temporarily restricted net assets (concluded):

	2010	2009
Temporarily restricted endowments (see Note 5)	**$ 125,568**	$ 92,320
Contributions restricted for client programs	**28,009**	28,009
Totals	**$ 306,507**	$ 570,456

Note 7 - Restricted contributions:

During the years ended September 30, 2010 and 2009, the Organization received contributions of $717,178 and $1,203,603, respectively, which were restricted by donors to be used solely for local chapter services and sponsorship for special events. The restrictions on a majority of these restricted contributions were met in the same year as the contribution was received; therefore, they have been included in unrestricted net assets on the statements of activities.

Note 8 - Operating lease commitments:

The Organization leases office space in two locations; Hartford under a five year non-cancelable lease expiring December 2011 with options to extend for two additional five year periods and Norwalk under a five year noncancelable lease expiring in June 2014. The Organization is responsible for insurance and maintenance. Minimum annual rental commitments at September 30, 2010 are as follows:

Year Ending September 30:	
2011	$ 179,003
2012	76,134
2013	37,059
2014	25,456
	$ 317,652

Rent expense was $167,672 and $226,908 for the years ended September 30, 2010 and 2009, respectively.

Note 9 - Defined contribution plan:

The Organization maintains a 403(b) defined contribution profit sharing plan, which covers all employees with at least two years of service. The Organization makes a matching contribution to the plan equal to 5% of each eligible employee's contribution. Plan expense for the years ended September 30, 2010 and 2009 was $25,725 and $25,211, respectively.

Note 10 - Allocation of joint costs:

The Organization incurred joint costs of approximately $146,725 and $151,796 for special event marketing materials and expenses for the years ended September 30, 2010 and 2009, respectively. Such costs were allocated $109,698 and $59,712, respectively, to fundraising expense and $37,027 and $92,084, respectively, to public education for the years ended September 30, 2010 and 2009.

Note 11 - Advertising:

The Organization expenses the costs of advertising as incurred. Advertising expense for the years ended September 30, 2010 and 2009 was $116 and $811, respectively.

Note 12 - Due to National Headquarters:

National and the Organization have an agreement under which the Organization is required to remit 40% of all unrestricted contributions, net of allowances, 50% of all unrestricted legacies and 100% of research restricted contributions to National. Such amounts are calculated and remitted monthly to National.

The Organization participates in National's direct marketing program. Unrestricted public support received under the program by National that is attributable to Organization sources is credited to and recorded by the Organization at 40% of such unrestricted public support, net of 60% retained by National. These amounts are recorded as contributions received directly from National in the accompanying statements of activities. Multi-year contributions that are restricted for research, if any, are remitted to National and reflected as expense as the respective payments are received from donors. The balance due to (from) National as of September 30, 2010 and 2009 was $46,961 and $(71,879), respectively.

In January 2010, the Organization's National Board of Directors approved a change in the policy for calculating each chapter’s national program expense effective fiscal year 2011. This change was approved to simplify the formula, to reduce redundancies, internal reconciliations and billings, and to improve budgeting and planning. Under the new policy, the Organization will calculate the National Program Expense for each chapter in advance of the fiscal year after a complete review by the Budget Review Committee and National Board. The chapter’s national program expense will be calculated using the average of the previous two year’s audited results as the revenue base. The remittance percentage is subject to adjustment each year to ensure that the Organization meets its programmatic goals and that all donor restrictions are honored. In fiscal year 2011, the chapter’s National Program Expense will be $1,172,906. By setting the chapter’s national program expense in advance, the chapters and the national organization are in a better position to control resources through their respective budgeting and planning processes.

In 2006, the Organization indicated its intent to contribute to National's Promise 2010 Campaign in the amount of $1,500,000, payable through 2010 in annual amounts to be determined by the Organization. This is an intent and not an unconditional promise to give and, as such, is reflected in Contributions to National when paid. Contributions dedicated to this campaign in the amount of $76,372 and $60,483, respectively, were received in 2010 and 2009 and recognized as income. Such amounts have been recorded as expense under “Research, National Headquarters (Promise 2010 Campaign)." At September 30, 2010, the total contributions collected and remitted to National for the Promise 2010 Campaign amounted to $1,389,396.

Note 13 - Planned gifts:

The Organization is the beneficiary of an irrevocable charitable remainder trust that is held by a third party trustee. At the creation of the trust, the beneficial interest was measured at the present value of estimated future cash receipts expected to be received by the Organization. The fair value of the trust's assets was used in the determination of the present value of the future receipts. The amortization of the discount and changes in actuarial assumptions are reflected over the term of the trust. The net present value and any changes to the trust are recorded as temporarily restricted net assets. The trust is valued at $159,247 and $150,127 in the statements of financial position at September 30, 2010 and 2009, respectively. Additionally, the fair value of the trust's assets was $238,411 and $240,236 at September 30, 2010 and 2009, respectively.

The Organization was also the beneficiary of two charitable gift annuities that are held at National. The annuities are valued at their present value based on the life expectancy of each annuitant. The annuities are valued at $(6,817) and $0 (net of the liability to annuitants) in the statements of financial position at September 30, 2010 and 2009, respectively. Additionally, the fair value of the annuities liabilities were $13,635 and $0 at September 30, 2010 and 2009, respectively.

The net change in values of the above planned gifts for the year ended September 30, 2010 was $(2,303) and $5,444, respectively, which is included in temporarily restricted membership and contributions and legacies – received by chapter in the statement of activities.