National Multiple Sclerosis Society
Connecticut Chapter

Report on Financial Statements

Years Ended September 30, 2011 and 2010

NATIONAL MULTIPLE SCLEROSIS SOCIETY
CONNECTICUT CHAPTER

Index

	Page
Report of Independent Public Accountants	2
Statements of Financial Position September 30, 2011 and 2010	3
Statements of Activities Years Ended September 30, 2011 and 2010	4
Statement of Functional Expenses Year Ended September 30, 2011	5
Statement of Functional Expenses Year Ended September 30, 2010	6
Statements of Cash Flows Years Ended September 30, 2011 and 2010	7
Notes to Financial Statements	8-19

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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, 2011 and 2010, 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, 2011 and 2010, 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 28, 2011

NATIONAL MULTIPLE SCLEROSIS SOCIETY
CONNECTICUT CHAPTER

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2011 AND 2010

ASSETS

	2011	2010
Current assets:		
Cash	**$ 163,232**	$ 309,269
Pledges and contributions receivable	**106,118**	80,513
Due from National Headquarters:		
Due from other Chapters	**3,419**	8,503
Prepaid expenses	**77,056**	62,584
Interest receivable	**-**	1,584
Total current assets	**349,825**	462,453
Equipment, furniture and improvements:		
Office equipment	**68,474**	145,369
Furniture	**30,927**	63,612
Medical equipment	**4,100**	8,100
Leasehold improvements	**3,923**	-
	107,424	217,081
Less accumulated depreciation and amortization	**(52,117)**	(177,578)
Total equipment, furniture and improvements, net	**55,307**	39,503
Other assets:		
Investments	**1,732,297**	1,801,298
Restricted cash	**14,509**	25,694
Planned gifts:		
Charitable remainder trusts	**156,530**	152,430
Total other assets	**1,903,336**	1,979,422
Totals	**$ 2,308,468**	$ 2,481,378

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	**$ 141,793**	$ 204,459
Deferred revenue	**80,550**	24,450
Due to National Headquarters:		
Remittance due to National	**68,692**	46,961
Other payables due to National	**-**	4,339
Total current liabilities	**291,035**	280,209
Commitments		
Net assets:		
Unrestricted	**1,063,143**	1,304,073
Temporarily restricted	**310,011**	306,507
Permanently restricted	**644,279**	590,589
Total net assets	**2,017,433**	2,201,169
Totals	**$ 2,308,468**	$ 2,481,378

See Notes to Financial Statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY
CONNECTICUT CHAPTER

STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011				2010			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	Unrestricted	Temporarily Restricted	Permanently Restricted	**Total**
Public support:								
Received directly:								
Special events (including in-kind of $32,457 and $29,566, respectively)	**$ 2,597,684**	**$ -**	**$ 7,282**	**$ 2,604,966**	$ 2,796,563	$ -	$ -	$ 2,796,563
Less benefit to donor costs	**(233,531)**	**-**	**-**	**(233,531)**	(271,836)	-	-	(271,836)
	2,364,153	**-**	**7,282**	**2,371,435**	2,524,727	-	-	2,524,727
Membership and contributions (including in-kind of $7,325 and $5,000, respectively)	**1,016,785**	**7,353**	**46,408**	**1,070,546**	801,966	(1,995)	50,602	850,573
Legacies - received by Chapter	**8,383**	**-**	**-**	**8,383**	2,052	9,120	-	11,172
Received at National Headquarters (other than legacies)	**94,655**	**-**	**-**	**94,655**	353,550	-	-	353,550
	3,483,976	**7,353**	**53,690**	**3,545,019**	3,682,295	7,125	50,602	3,740,022
Received indirectly:								
Combined Health Appeal and United Way	**152,638**	**-**	**-**	**152,638**	174,439	-	-	174,439
Total support from the public	**3,636,614**	**7,353**	**53,690**	**3,697,657**	3,856,734	7,125	50,602	3,914,461
Other revenue:								
Investment income (loss)	**(529)**	**2,928**	**-**	**2,399**	147,728	30,377	-	178,105
Service fee income	**9,671**	**-**	**-**	**9,671**	3,575	-	-	3,575
Miscellaneous revenue	**6,374**	**-**	**-**	**6,374**	11,398	-	-	11,398
	15,516	**2,928**	**-**	**18,444**	162,701	30,377	-	193,078
Net assets released from restriction	**6,777**	**(6,777)**	**-**	**-**	301,451	(301,451)	-	-
Total support and revenue	**3,658,907**	**3,504**	**53,690**	**3,716,101**	4,320,886	(263,949)	50,602	4,107,539
Expenses:								
Program services:								
Research	**620,876**	**-**	**-**	**620,876**	867,511	-	-	867,511
Public support to National Headquarters	**551,266**	**-**	**-**	**551,266**	496,986	-	-	496,986
Client programs	**735,455**	**-**	**-**	**735,455**	663,976	-	-	663,976
Community services	**622,257**	**-**	**-**	**622,257**	525,258	-	-	525,258
Professional education and training	**50,119**	**-**	**-**	**50,119**	65,122	-	-	65,122
Public education	**729,881**	**-**	**-**	**729,881**	796,323	-	-	796,323
Total program services	**3,309,854**	**-**	**-**	**3,309,854**	3,415,176	-	-	3,415,176
Supporting services:								
Fundraising	**344,183**	**-**	**-**	**344,183**	358,795	-	-	358,795
Management and general	**245,800**	**-**	**-**	**245,800**	270,746	-	-	270,746
Total supporting services	**589,983**	**-**	**-**	**589,983**	629,541	-	-	629,541
Total expenses	**3,899,837**	**-**	**-**	**3,899,837**	4,044,717	-	-	4,044,717
Change in net assets	**(240,930)**	**3,504**	**53,690**	**(183,736)**	276,169	(263,949)	50,602	62,822
Net assets, beginning of year	**1,304,073**	**306,507**	**590,589**	**2,201,169**	1,027,904	570,456	539,987	2,138,347
Net assets, end of year	**$ 1,063,143**	**$ 310,011**	**$ 644,279**	**$ 2,017,433**	$ 1,304,073	$ 306,507	$ 590,589	$ 2,201,169

See Notes to Financial Statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY
CONNECTICUT CHAPTER

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2011

	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	$ -	$ -	$ 261,171	$ 391,065	$ 29,019	$ 428,375	$ 1,109,630	$ 129,894	$ 142,331	$ 272,225	$ -	$ 1,381,855
Employee benefits	-	-	39,229	58,739	4,359	64,343	166,670	19,511	21,378	40,889	-	207,559
Payroll taxes	-	-	23,285	34,866	2,587	38,192	98,930	11,581	12,690	24,271	-	123,201
Total salaries and related expenses	-	-	323,685	484,670	35,965	530,910	1,375,230	160,986	176,399	337,385	-	1,712,615
Professional fees	-	-	132,305	42,529	5,715	53,603	234,152	33,160	28,260	61,420	-	295,572
Awards and prizes for individuals and other organizations	-	-	693	100	7	110	910	1,440	37	1,477	43,558	45,945
Printing and artwork	-	-	18,073	5,028	752	39,157	63,010	42,793	330	43,123	-	106,133
Rent and other rent related expenses	-	-	29,810	44,637	3,312	48,895	126,654	14,826	16,242	31,068	17,187	174,909
Depreciation and amortization	-	-	6,243	9,348	694	10,240	26,525	3,105	3,403	6,508	-	33,033
Postage and shipping	-	-	19,860	2,873	594	17,237	40,564	21,020	609	21,629	-	62,193
Meetings	-	-	63,471	5,773	852	2,055	72,151	2,450	683	3,133	1,491	76,775
Travel, food and beverage	-	-	9,553	2,767	471	2,068	14,859	17,633	685	18,318	145,917	179,094
Disbursements made on behalf of individuals with multiple sclerosis	-	-	96,328	-	-	-	96,328	-	-	-	-	96,328
Furniture and equipment repair and service contracts	-	-	5,603	8,389	623	9,190	23,805	2,787	3,053	5,840	-	29,645
Supplies	-	-	1,867	2,263	154	1,936	6,220	2,390	643	3,033	20,280	29,533
Insurance	-	-	4,678	7,004	520	7,672	19,874	2,326	2,549	4,875	-	24,749
Telephone and facsimile	-	-	3,982	1,203	47	694	5,926	211	231	442	-	6,368
Miscellaneous	-	-	15,669	5,673	413	6,114	27,869	39,056	2,025	41,081	5,098	74,048
Dues and memberships	-	-	3,635	-	-	-	3,635	-	-	-	-	3,635
Loss on disposal of equipment	-	-	-	-	-	-	-	-	10,651	10,651	-	10,651
National Headquarters:												
Restricted contributions for research and other	(764)	-	-	-	-	-	(764)	-	-	-	-	(764)
Program expense	621,640	-	-	-	-	-	621,640	-	-	-	-	621,640
Total expenses before public support to National Headquarters	620,876	-	735,455	622,257	50,119	729,881	2,758,588	344,183	245,800	589,983	233,531	3,582,102
Public support to National Headquarters	-	551,266	-	-	-	-	551,266	-	-	-	-	551,266
Total expenses	$ 620,876	$ 551,266	$ 735,455	$ 622,257	$ 50,119	$ 729,881	$ 3,309,854	$ 344,183	$ 245,800	$ 589,983	$ 233,531	4,133,368
Less direct benefit to donor costs												(233,531)
Total expenses as reported on the statement of activities												$ 3,899,837

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	$ 135,793	$ 162,952	$ 298,745	$ -	$ 1,357,934
Employee benefits	-	-	36,330	56,766	6,812	77,201	177,109	22,706	27,248	49,954	-	227,063
Payroll taxes	-	-	19,554	30,554	3,666	41,553	95,327	12,222	14,666	26,888	-	122,215
Total salaries and related expenses	-	-	273,153	426,804	51,216	580,452	1,331,625	170,721	204,866	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	358,795	270,746	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	$ 358,795	$ 270,746	$ 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

STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
Operating activities:		
Change in net assets	**$ (183,736)**	$ 62,822
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	**33,033**	22,802
Charitable remainder trusts	**(4,100)**	(2,303)
Loss on disposal of equipment	**10,651**	-
Realized loss on investments	**12,128**	76,686
Unrealized loss (gain) on investments	**53,828**	(193,998)
Changes in operating assets and liabilities:		
Pledges and contributions receivable	**(25,605)**	305,373
Interest receivable	**1,584**	321
Prepaid expenses	**(14,472)**	(16,288)
Accounts payable and accrued expenses	**(62,666)**	(26,616)
Contribution payable	**-**	(300,000)
Deferred revenue	**56,100**	(10,740)
Due to/from National Headquarters	**22,476**	129,159
Net cash provided by (used in) operating activities	**(100,779)**	47,218
Investing activities:		
Purchase of equipment and furniture	**(59,488)**	(3,253)
Proceeds from sale of investments	**322,295**	461,367
Purchase of investments	**(319,250)**	(591,900)
Restricted cash	**11,185**	38,543
Net cash used in investing activities	**(45,258)**	(95,243)
Net decrease in cash	**(146,037)**	(48,025)
Cash, beginning of year	**309,269**	357,294
Cash, end of year	**$ 163,232**	$ 309,269

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 (the "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 Code.

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

Income taxes (concluded):

The Organization has no unrecognized tax benefits at September 30, 2011 and 2010. The Organization's U.S. Federal information returns prior to 2008 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 statements 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 statements 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, 2011 and 2010, 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 statements 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 statements 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 28, 2011 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:

2011	Cost	Fair Value	Unrealized Gains (Losses)
Mutual (equity) funds	**$ 975,322**	**$ 828,386**	**$ (146,936)**
Mutual (bond) funds	**437,852**	**448,779**	**10,927**
Other investment - annuity	**352,959**	**352,959**	**-**
Money market funds	**102,173**	**102,173**	**-**
Totals	**$ 1,868,306**	**$ 1,732,297**	**$ (136,009)**

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 - annuity	375,750	375,750	-
Money market funds	144,821	144,821	-
Totals	$ 1,883,479	$ 1,801,298	$ (82,181)

The following schedule summarizes the investment income (loss) and its classification in the statements of activities for the years ended September 30, 2011 and 2010:

	2011	2010
Interest and dividend income	**$ 60,811**	$ 54,294
Interest and dividend income restricted for local use	**7,544**	6,499
Realized loss on investments	**(12,128)**	(76,686)
Unrealized gain (loss) on investments	**(53,828)**	193,998
Total investment income	**$ 2,399**	$ 178,105

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 2011 and 2010.

Financial assets carried at fair value at September 30, 2011 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	**$ 324,591**	**$ 324,591**	**$ -**	**$ -**
Small/Mid Cap Blend	**198,915**	**198,915**	**-**	**-**
Foreign Large Blend	**204,167**	**204,167**	**-**	**-**
Commodities	**61,511**	**61,511**	**-**	**-**
Natural Resources	**39,202**	**39,202**	**-**	**-**
Total mutual (equity) funds	**828,386**	**828,386**	**-**	**-**
Mutual (bond) funds:				
Intermediate-term	**149,756**	**149,756**	**-**	**-**
Short-term government	**144,909**	**144,909**	**-**	**-**
High yield	**75,299**	**75,299**	**-**	**-**
Inflation-protected	**78,815**	**78,815**	**-**	**-**
Total mutual (bond) funds	**448,779**	**448,779**	**-**	**-**
Other investment - annuity	**352,959**	**-**	**352,959**	**-**
Charitable remainder trusts	**156,530**	**-**	**-**	**156,530**
Money market funds	**102,173**	**102,173**	**-**	**-**
	$ 1,888,827	**$ 1,379,338**	**$ 352,959**	**$ 156,530**

Note 4 - Fair value measurements (concluded):

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 - annuity	375,750	-	375,750	-
Charitable remainder trusts	152,430	-	-	152,430
Money market funds	144,821	144,821	-	-
	$ 1,953,728	$ 1,425,548	$ 375,750	$ 152,430

Investments in equity and bond fund securities are valued using market prices in active markets (Level 1). Money market funds are valued based on yields currently available (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 other investment - annuity are valued based on yields currently available on comparable securities of issuers with similar credit ratings (Level 2). Charitable remainder trusts 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.

Note 5 - Endowment (continued):

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
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, 2011 was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	**$ -**	**$ 125,568**	**$ 590,589**	**$ 716,157**
Investment income	**-**	**31,419**	**-**	**31,419**
Net realized and unrealized depreciation	**(5,484)**	**(15,275)**	**-**	**(20,759)**
Contributions	**-**	**29,655**	**53,690**	**83,345**
Amounts appropriated for expenditure	**-**	**(45,895)**	**-**	**(45,895)**
Endowment net assets, end of year	**$ (5,484)**	**$ 125,472**	**$ 644,279**	**$ 764,267**

Changes in Endowment net assets for the year ended September 30, 2010 were 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

Note 5 - Endowment (concluded):

From time to time, the fair value of assets associated with the individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were $10,838 as of September 30, 2011. There were no such deficiencies as of September 30, 2010. The deficiencies resulted from unfavorable market fluctuations during the year. As of September 30, 2011 and 2010, all endowment funds were donor restricted.

Endowment funds classified as temporarily restricted net assets as of September 30, 2011 and 2010 are available for the following purposes:

	2011	2010
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)	**$ 53,199**	$ 47,257
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)	**38,975**	39,107
Moeller Endowment Fund (investment income is restricted for local use)	**33,298**	33,729
Hayley's Hope and Michaela's Miracle MS Memorial Fund (investment income is restricted for family programs, pediatric MS and scholarships)	**-**	5,475
Totals	**$ 125,472**	$ 125,568

Endowment funds classified as permanently restricted net assets as of September 30, 2011 and 2010 are available for the following purposes:

	2011	2010
Hayley's Hope and Michaela's Miracle MS Memorial Fund (investment income is restricted for family programs, pediatric MS and scholarships)	**$ 544,279**	$ 490,589
Moeller Endowment Fund (investment income is restricted for local use)	**100,000**	100,000
Totals	**$ 644,279**	$ 590,589

Note 6 - Temporarily restricted net assets:

Temporarily restricted net assets are available for the following purposes:

	2011	2010
Charitable remainder trust	**$ 156,530**	$ 152,930
Temporarily restricted endowments (see Note 5)	**125,472**	125,568
Contributions restricted for client programs	**28,009**	28,009
Totals	**$ 310,011**	$ 306,507

Note 7 - Restricted contributions:

During the years ended September 30, 2011 and 2010, the Organization received contributions of $662,095 and $717,178, 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 - 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, 2011 and 2010 was $36,870 and $25,725, respectively.

Note 9 - 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 (currently being negotiated) and Norwalk under a five year non-cancelable lease expiring in June 2014. The Organization is responsible for insurance and maintenance. Minimum annual rental commitments at September 30, 2011 are as follows:

Year Ending September 30:	
2012	$ 100,134
2013	61,059
2014	43,456
	$ 204,649

Rent expense was $201,604 and $167,672 for the years ended September 30, 2011 and 2010, respectively.

Note 10 - Allocation of joint costs:

The Organization incurred joint costs of approximately $185,608 and $146,725 for special event marketing materials and expenses for the years ended September 30, 2011 and 2010, respectively. Such costs were allocated $136,240 and $109,698, respectively, to fundraising expense and $49,368 and $37,027, respectively, to public education for the years ended September 30, 2011 and 2010.

Note 11 - Due to National Headquarters:

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, National calculates 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 was 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 was calculated to 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 fiscal year 2010, National and the Organization had an agreement under which the Organization was 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 were 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 50% of the net revenue from the program. These amounts are recorded as Received at National Headquarters in the accompanying statements of activities. The balance due to National as of September 30, 2011 and 2010 was $68,692 and $46,961, respectively.

The Organization participated in National's Promise 2010 Campaign which ended and was fully funded in fiscal year 2010. Contributions dedicated to this campaign in the amount of $76,372 were received in 2010 and recognized as Contributions to National. Such amounts were 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 12 - 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 $168,922 and $159,247 in the statements of financial position at September 30, 2011 and 2010, respectively. Additionally, the fair value of the trust's assets was $211,369 and $238,411 at September 30, 2011 and 2010, 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 $(12,392) and $(6,817), (net of the liability to annuitants) in the statements of financial position at September 30, 2011 and 2010, respectively. Additionally, the fair value of the annuities liabilities were $24,786 and $13,635 at September 30, 2011 and 2010, respectively.

The net change in values of the above planned gifts for the year ended September 30, 2011 was $4,100 and $(2,303), respectively, which is included in temporarily restricted membership and contributions and legacies – received by chapter in the statements of activities.