NATIONAL MULTIPLE SCLEROSIS SOCIETY NATIONAL CAPITAL CHAPTER SEPTEMBER 30, 2012 AND 2011

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INDEPENDENT AUDITORS' REPORT

Board of Trustees National Multiple Sclerosis Society, National Capital Chapter Washington, DC

We have audited the statements of financial position of National Multiple Sclerosis Society, National Capital Chapter (the Chapter) as of September 30, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Chapter's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, National Capital Chapter as of September 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

November 26, 2012

Sarfino and Rhoaden U.P.

NATIONAL MULTIPLE SCLEROSIS SOCIETY

NATIONAL CAPITAL CHAPTER

STATEMENTS OF FINANCIAL POSITION

	SEPTEN	MBER 30,
	2012	2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 1)	\$ 602,850	\$ 511,775
Investments (Notes 1, 2 and 3)	1,641,683	1,508,736
Contributions receivable, net of allowance for	, ,	, , ,, , ,
uncollectible accounts of \$50,000 for 2011 (Note 1)	407,820	402,636
Government grants receivable (Notes 1 and 4)	22,763	79,150
Prepaid expenses and other assets	65,966	54,956
TOTAL CURRENT ASSETS	\$ 2,741,082	\$ 2,557,253
NONCURRENT ASSETS:		
Restricted cash for lease obligation (Notes 1 and 6)	\$ 106,718	\$ 106,498
Property and equipment, net of accumulated		
depreciation (Notes 1 and 5)	68,296	71,385
Due from National Multiple Sclerosis Society		
(Charitable remainder trusts) (Note 9)	55,681	30,697
TOTAL NONCURRENT ASSETS	\$ 230,695	\$ 208,580
TOTAL ASSETS	\$ 2,971,777	\$ 2,765,833
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 261,031	\$ 256,594
Due to National Multiple Sclerosis Society (Note 8):	Ψ 201,031	Ψ 250,574
Remittance due to National	178,969	152,729
Other payables to National	14,859	9,096
Due to other Chapters	10,852	2,668
Deferred revenue (Note 1):		
Government grants (Note 4)	17,913	31,468
Special events and other	30,685	8,562
TOTAL CURRENT LIABILITIES	\$ 514,309	\$ 461,117
NONCURRENT LIABILITIES:		
Deferred lease benefit (Note 6)	\$ 310,937	\$ 280,582
Security deposit	4,126	4,126
TOTAL NONCURRENT LIABILITIES	\$ 315,063	\$ 284,708
TOTAL LIABILITIES	\$ 829,372	\$ 745,825
COMMITMENTS (Note 6)		
NET ASSETS (Notes 1 and 7):		
Unrestricted	\$ 2,081,028	\$ 1,970,988
Temporarily restricted	61,377	49,020
TOTAL NET ASSETS	\$ 2,142,405	\$ 2,020,008
TOTAL LIABILITIES AND NET ASSETS	\$ 2,971,777	\$ 2,765,833

The accompanying notes are an integral part of these financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY

NATIONAL CAPITAL CHAPTER STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED SEPTEMBER 30.

FO.	OK THE YEARS ENDED SEPTEMBER 30,	SEN	DED SEPT	EMBER 30,				
			2012			2011		
		•	Temporarily			Temporarily	ly.	
	Unrestricted		Restricted	Total	Unrestricted	Restricted		Total
REVENUE (Note 1):								
Public support:								
Received directly:								
Special events (includes in-kind donations of								
\$90,527 and \$133,550 for 2012 and 2011,								
respectively)	\$ 3,763,645	⇔	ı	\$ 3,763,645	\$ 3,687,864	↔	& 3	3,687,864
Less benefit to donor costs	(493,473)	<u>(</u>	•	(493,473)	(462,554)		•	(462,554)
Membership and contributions (includes in-kind								
donations of \$22,725 and \$26,535 for 2012								
and 2011, respectively)	816,841		31,508	848,349	808,014	6,805		814,819
Legacies and bequests	188,263	~	1	188,263	115,492		,	115,492
Received at National (Note 8)	115,066	,	•	115,066	126,444			126,444
Total received directly	\$ 4,390,342	⇔	31,508	\$ 4,421,850	\$ 4,275,260	\$ 6,805	∽	4,282,065
Received indirectly:								
Combined federal service campaign	\$ 107,405	\$	•	\$ 107,405	\$ 118,523	\$	⇔	118,523
Federated fund-raising organizations	56,840		ľ	56,840	55,670		1	55,670
Total received indirectly	\$ 164,245	8	***	\$ 164,245	\$ 174,193	↔	∽	174,193
Total public support	\$ 4,554,587	8	31,508	\$ 4,586,095	\$ 4,449,453	\$ 6,805	↔	4,456,258
Grants from governmental agencies (Note 4)	\$ 26,246	8	1	\$ 26,246	\$ 77,059	8	↔	77,059
Other revenue:								
Investment income (Notes 1 and 2)	\$ 335,608	69	1	\$ 335,608	\$ 53,065	∽	∞	53,065
Rental income (Note 6)	57,936		•	57,936	57,006			57,006
Service program fees	22,900	_	4	22,900	22,175		ı	22,175
Miscellaneous income	2,359		1	2,359	009'6			0,600
Total other revenue	\$ 418,803	8		\$ 418,803	\$ 141,846	8	s>	141,846
Net assets released from restrictions	\$ 19,151	8	(19,151)	- -	\$ 25,453	\$ (25,453)	3) \$	•
TOTAL REVENUE	\$ 5,018,787	⇔	12,357	\$ 5,031,144	\$ 4,693,811	\$ (18,648)	8	4,675,163

		2012			2011		
		Temporarily			Temporarily	ly	
	Unrestricted	Restricted	Total	Unrestricted	Restricted		Total
EXPENSES:]	
Program activities:							
Research (Note 8)	\$ 908,811	· •	\$ 908,811	\$ 782,457	8	1	\$ 782,457
Public support to National (Note 8)	714,066	•	714,066	693,877		ı	693,877
Client programs	1,290,397	1	1,290,397	1,260,626		ı	1,260,626
Community programs	300,796	•	300,796	266,858			266,858
Professional education and training	212,159	1	212,159	265,521		,	265,521
Public education	409,781	•	409,781	364,208		1	364,208
Total program services	\$ 3,836,010	-	\$ 3,836,010	\$ 3,633,547	S	•	\$ 3,633,547
Supporting services:						1	
Fundraising	\$ 815,057	· •	\$ 815,057	\$ 833,747	↔	1	3 833,747
Management and general	257,680	1	257,680	303,132			303,132
Total supporting services	\$ 1,072,737	€	\$ 1,072,737	\$ 1,136,879	\$	1	\$ 1,136,879
TOTAL EXPENSES	\$ 4,908,747	€	\$ 4,908,747	\$ 4,770,426	\$	ا ا	\$ 4,770,426
CHANGES IN NET ASSETS	\$ 110,040	\$ 12,357	\$ 122,397	\$ (76,615)	\$ (18,648)	\$ (81	(95,263)
NET ASSETS, BEGINNING OF YEAR	1,970,988	49,020	2,020,008	2,047,603	67,668		2,115,271
NET ASSETS, END OF YEAR	\$ 2,081,028	\$ 61,377	\$ 2,142,405	\$ 1,970,988	\$ 49,020		\$ 2,020,008

The accompanying notes are an integral part of these financial statements.

FOR THE YEAR ENDED SEPTEMBER 30, 2012 NATIONAL MULTIPLE SCLEROSIS SOCIETY STATEMENT OF FUNCTIONAL EXPENSES NATIONAL CAPITAL CHAPTER

			P	Program Activities	es			Supportir	Supporting Services			
					Professional					Total		
		National	Client	Community	Education	Public		Fund-	Management	Programs	Benefit to	Total
	Research	Activities	Programs	Programs	and Training	Education	Subtotal	raising	and General	and Support	Donor Costs	Expenses
Salaries	· •	.	\$ 533,422	\$ 169,816	\$ 120,331	\$ 241,123	\$ 1,064,692	\$ 315,351	\$ 156,752	\$ 1,536,795	69	\$ 1,536,795
Employee benefits	3	,	65,042	20,706	14,672	29,401	129,821	38,452	19,113	187,386	1	187,386
Payroll taxes	1	1	39,303	12,512	8,866	17,766	78,447	23,235	11,550	113,232	•	113,232
Total salaries and related expenses	·	- 69	\$ 637,767	\$ 203,034	\$ 143,869	\$ 288,290	\$ 1,272,960	\$ 377,038	\$ 187,415	\$ 1,837,413	·	\$ 1,837,413
Occupancy (Note 6)	r	•	138,309	44,031	31,200	62,520	276,060	81,766	40,643	398,469	149,140	547,609
Professional and contract service fees	ì	•	114,722	26,728	10,957	20,603	173,010	225,412	13,395	411,817	. 1	411.817
Travel	t	•	12,950	3,905	1,298	2,601	20,754	10,032	1,695	32,481	272,617	305,098
Direct financial assistance	ı	ı	256,421	•	•		256,421	i		256,421	,	256,421
Meetings	1	1	49,269	6,070	13,619	623	69,581	3,159	796	73,536	12,299	85,835
Credit card fees and other expense	1	•	5,899	1,334	269	1,440	9,370	31,907	606	42,186	5,926	48,112
Equipment rental and maintenance	ľ	•	29,659	4,835	3,426	6,865	44,785	8,979	4,463	58,227	ı	58,227
Printing	ı	1	8,601	183	638	10,108	19,530	38,275	III	57,916	1	57,916
Prizes and promotional items	1	r	1	4	1	1	4	61	1	65	34,256	34,321
Supplies	•	ı	6,638	1,237	657	1,102	9,634	4,025	701	14,360	19,235	33,595
Depreciation (Note 1)	1	1	11,170	3,556	2,520	5,049	22,295	6,603	3,282	32,180	•	32,180
Postage and shipping	1	1	4,165	397	239	4,491	9,292	19,703	312	29,307	•	29,307
Insurance (property and casualty)	1	1	8,797	2,800	1,984	3,976	17,557	5,200	2,586	25,343	1	25,343
Telephone	1	ŀ	5,589	1,528	1,041	2,086	10,244	2,837	1,354	14,435	•	14,435
Awards and grants	1	1	296	009	'	•	968	ì	,	968	1	968
Dues and memberships Functionalized National	1	ì	145	554	14	27	740	09	18	818	•	818
program expense	908,811	•	•		r	•	908,811	•	•	908.811	1	908.811
Total expenses before												
public support to National	\$ 908,811	€\$	\$ 1,290,397	\$ 300,796	\$ 212,159	\$ 409,781	\$ 3,121,944	\$ 815,057	\$ 257,680	\$ 4,194,681	\$ 493,473	\$ 4,688,154
Public support to National	1	714,066	*	f	1	*	714,066	1	•	714,066	1	714,066
Total expenses	\$ 908,811	\$ 714,066	\$ 1,290,397	\$ 300,796	\$ 212,159	\$ 409,781	\$ 3,836,010	\$ 815,057	\$ 257,680	\$ 4,908,747	\$ 493,473	\$ 5,402,220
Less direct benefit to donor costs TOTAL EXPENSES AS REPORTED ON THE STATEMENTS OF ACTIVITIES	ED ON THE	STATEMENT	S OF ACTIVI	TIES								(493,473) \$ 4,908,747

TOTAL EXPENSES AS REPORTED ON THE STATEMENTS OF ACTIVITIES

The accompanying notes are an integral part of these financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY FOR THE YEAR ENDED SEPTEMBER 30, 2011 STATEMENT OF FUNCTIONAL EXPENSES NATIONAL CAPITAL CHAPTER

782,457 * 782,457

The accompanying notes are an integral part of these financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY NATIONAL CAPITAL CHAPTER STATEMENTS OF CASH FLOWS

	F	FOR THE YE	ARS	ENDED
		SEPTEM	BER	30,
		2012		2011
RECONCILIATION OF CHANGES IN NET ASSETS TO				
NET CASH USED IN OPERATING ACTIVITIES:				
Changes in net assets	\$	122,397	\$	(95,263)
Adjustments:				
Depreciation		32,180		27,876
Bad debt expense		-		50,000
Net losses (gains) on investments		(284,277)		3,871
Changes in assets and liabilities:				
Government grants and contributions receivable		51,203		57,807
Prepaid expenses and other assets		(11,010)		6,637
Charitable remainder trusts		(24,984)		4,761
Accounts payable and accrued expenses		4,437		(173,766)
Due to/from National and other chapters		40,187		(281,383)
Deferred revenue - grants, special events and other		8,568		(83,652)
Deferred lease benefit		30,355		46,932
NET CASH USED IN OPERATING ACTIVITIES	\$	(30,944)	\$	(436,180)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale of investments	\$	202,672	\$	230,000
Purchases of investments	Ť	(51,342)	•	(57,411)
Purchases of property and equipment		(29,091)		(35,868)
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$	122,239	\$	136,721
NET CHANGES IN CASH AND CASH				
EQUIVALENTS	\$	91,295	\$	(299,459)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		618,273		917,732
CASH AND CASH EQUIVALENTS, END OF YEAR	\$	709,568	<u>\$</u>	618,273
CASH FLOW INFORMATION:				
	ø	(00.070	ø	C11 777
Cash-current	\$	602,850	\$	511,775
Cash-noncurrent		106,718	***************************************	106,498
Total cash	\$	709,568	\$	618,273

Note 1. Organization and Significant Accounting Policies

Organization - National Multiple Sclerosis Society, National Capital Chapter (the Chapter) is a not-for-profit voluntary health agency whose purpose is to provide vital programs and services to clients with multiple sclerosis and their families, inform the public about the disease and support the national effort in finding the cause and cure of the disease.

The territory assigned to the Chapter by the National office is the District of Columbia, Montgomery, Prince George's, Charles, St. Mary's, and Calvert counties in Maryland as well as the City of Alexandria and Arlington, Fauquier, Fairfax, Loudoun and Prince William counties in Virginia.

Basis of Presentation - Resources for various purposes are classified for accounting and financial reporting purposes into net asset categories established according to their nature and purpose as follows:

- *Unrestricted net assets*: Unrestricted net assets represent funds which are fully available, at the discretion of management and the Board of Trustees, for the Chapter to utilize in any of its program or supporting services.
- Temporarily restricted net assets: Temporarily restricted net assets are comprised of funds which are restricted by donors for specific purposes. The restrictions are satisfied either by the passage of time or by actions of the Chapter.
- Permanently restricted net assets: Permanently restricted net assets include resources with permanent donor-imposed restrictions, which require the assets to be maintained in perpetuity, but permit the Chapter to expend all or part of the income derived from the donated assets.

As of September 30, 2012 and 2011 the Chapter had no permanently restricted net assets.

The Chapter allocates direct expenses to program services and supporting services. Those expenses that cannot be directly allocated to program services or supporting services are generally allocated based on salaries.

Revenue Recognition - Contributions are recognized as revenue at the earlier of when they are received or when the Chapter has received an unconditional promise to give a specific amount. The Chapter reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets. It is the Chapter's policy to record temporarily restricted contributions received and expended in the same accounting period as unrestricted.

Note 1. Organization and Significant Accounting Policies - (Continued)

Revenue Recognition - (Continued)

When a donor restriction expires, that is, when a time restriction ends or purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Gifts of property and equipment are reported as unrestricted support unless donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

In-kind donations of advertising, materials, prizes and awards are reflected as contributions and expenses in the accompanying statements at their estimated values at the date of receipt. No amounts have been reflected in the statements for donated services as no objective basis is available to measure the value of such services.

Revenue received but not earned is classified as deferred revenue on the statements of financial position.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Chapter considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments - Investments are stated at fair value at the statements of financial position date and are subject to change thereafter due to market conditions. Money market fund held by investment brokers is considered to be investments. Realized and unrealized gains and losses are included with investment income in the statements of activities.

Contributions Receivable - Contributions receivable consist of pledges of public support and pertain to fundraising events held during the years ended September 30, 2012 and 2011, reduced by an allowance for doubtful accounts. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of September 30, 2012, management determined that an allowance for doubtful accounts was not necessary. As of September 30, 2011, allowance for doubtful accounts was \$50,000.

Note 1. Organization and Significant Accounting Policies - (Continued)

Government Grants Receivable - The Chapter considers government grants receivable to be fully collectible within the coming year. Therefore, there is no allowance for uncollectible grants.

Property and Equipment - The Chapter capitalizes assets whose costs are in excess of \$500. Donated property is assigned a value by the Chapter's management as representing fair market value at date of acquisition. Property which is purchased is carried at cost. Depreciation is computed using the straight-line method over estimated useful lives of three to ten years. When properties are disposed of or otherwise retired, the cost and related accumulated depreciation are removed from the accounts with any resulting gain or loss reflected in the statement of activities. Maintenance and repairs are expensed in the period incurred.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk - Financial instruments that potentially subject the Chapter to credit risk include cash on deposit with financial institutions. Cash balances with commercial banks are covered by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Money market funds held by brokers are not insured by FDIC.

Income Tax Status - The Chapter qualifies as a charitable organization as defined by Internal Revenue Code 501(c)(3) and is exempt from federal income taxes under 501(a) of the Internal Revenue Code. The Chapter's federal information returns (Form 990, Return of Organization Exempt from Income Tax) for the years ended September 30, 2008 and prior are no longer subject to examination by the IRS and state taxing authorities.

Advertising - Advertising costs are expensed as incurred.

Note 2. Investments - The following summarizes investments as of September 30, 2012:

]	Fair Value	Cost
Mutual funds:			
Vanguard 500 Index Fund Admiral Shares	\$	1,083,024	\$ 717,184
Vanguard Intermediate-Term Investment-			
Grade Fund Admiral Shares		536,983	473,499
Money market fund		21,676	21,676
Totals	\$	1,641,683	\$ 1,212,359

The following summarizes investments as of September 30, 2011:

	I	Fair Value	 Cost
Mutual funds:			
Vanuguard 500 Index Fund Admiral Shares	\$	998,007	\$ 868,079
Vanguard Intermediate-Term Investment-			
Grade Fund Admiral Shares		487,012	444,829
Money market fund		23,717	23,717
Totals	\$	1,508,736	\$ 1,336,625

The following summarizes investment income for the years ended September 30:

		2012	 2011
Net realized and unrealized gains (losses)	\$	284,277	\$ (3,871)
Interest and dividends		51,331	 56,936
Totals	<u>\$</u>	335,608	\$ 53,065

Note 3. Fair Value Measurement - The Financial Accounting Standards Board (FASB) Accounting Standards Codification establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described as follows: level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets; level 2 inputs are observable market data, generally other than quoted prices; level 3 inputs are significant unobservable data.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize

NATIONAL MULTIPLE SCLEROSIS SOCIETY NATIONAL CAPITAL CHAPTER NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012 AND 2011

Note 3. Fair Value Measurement - (Continued)

the use of unobservable inputs. Following is a description of the valuation methodologies used for measuring assets at fair value.

Money market fund - The fund is valued by the institutional fund management at the stated price of the fund which generally approximates the original cost and the values of the underlying assets.

Mutual funds – Valued at the net asset value on the last business day of the fiscal year.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Chapter believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level the Chapter's investment assets within the fair value hierarchy:

Assets at f	air	value at Sep	oten	nber 30, 2	<u> 2012</u>	
		Level 1	I	Level 2	Level 3	 Total
Money market fund	\$	-	\$	21,676	\$ -	\$ 21,676
Mutual funds:						
Vanguard 500 Index Fund						
Admiral Shares		1,083,024		-	_	1,083,024
Vanguard Intermediate-Term						
Investment-Grade Fund						
Admiral Shares		536,983				 536,983
Totals	\$	1,620,007	<u>\$</u>	21,676	\$	\$ 1,641,683
Assets at f	air	value at Sep	oten	nber 30, 2	<u> 2011</u>	
		Level 1	I	Level 2	Level 3	 Total
Money market fund	\$	-	\$	23,717	\$ -	\$ 23,717
Mutual funds:						
Vanguard 500 Index Fund						
Admiral Shares		998,007		-	-	998,007
Vanguard Intermediate-Term						
Investment-Grade Fund						
Admiral Shares		487,012			-	 487,012
Totals	\$	1,485,019	\$	23,717	\$ -	\$ 1,508,736

NATIONAL MULTIPLE SCLEROSIS SOCIETY NATIONAL CAPITAL CHAPTER NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012 AND 2011

Note 4. **Government Grants** - The Chapter was awarded grants by the Maryland Developmental Disabilities Administration to be used for individual support services. The grants totaled \$20,196 and \$31,200 for the respective periods July 1, 2012 through June 30, 2013 and July 1, 2011 through June 30, 2012. Revenue recognized from the grants for the years ended September 30, 2012 and 2011 was \$16,632 and \$76,551, respectively.

The Chapter was awarded grants from Montgomery County, Maryland to provide support and services through the NMSS Programs. The grant awarded for the funding period July 1, 2011 through June 30, 2012 totaled \$12,000. Revenue recognized from the grants for the years ended September 30, 2012 and 2011 was \$9,614 and \$508, respectively.

Note 5. Property and Equipment - Property and equipment as of September 30 are as follows:

	 2012	-	2011
Furniture and equipment	\$ 215,152	\$	259,010
Artwork	 27,550		27,550
Subtotals	\$ 242,702	\$	286,560
Less, Accumulated depreciation	 174,406		215,175
Totals	\$ 68,296	\$	71,385

Note 6. **Commitments** - The Chapter entered into a fifteen-year noncancellable lease for office and storage space which expires on February 28, 2022. The lease agreement includes provisions for annual rent increases and additional rent based on increases in operating costs and real estate taxes. The Chapter is required to maintain an unconditional, irrevocable letter of credit in the amount of \$100,000 as security for the full term of the lease. The Chapter subleases part of its office space to a subtenant under a five-year noncancellable lease. The Chapter also has an operating equipment lease.

Future minimum lease commitments for the years ending September 30 are as follows:

		Office	 Sublease	Eg	uipment	Totals	
2013	\$	370,643	\$ (58,944)	\$	14,208	\$	325,907
2014		379,901	(60,707)		14,208		333,402
2015		389,396	(62,523)		14,208		341,081
2016		399,136	(64,401)		3,552		338,287
2017		416,788	(27,165)		-		389,623
Thereafter	***	1,992,887	 _		_		1,992,887
Totals	\$	3,948,751	\$ (273,740)	\$	46,176	\$	3,721,187

Note 6. **Commitments** - (Continued)

The office lease provides for scheduled rent increases which must be expensed ratably over the lease term in accordance with accounting principles generally accepted in the United States of America. Accordingly, the amount of rent expense recorded in these financial statements does not coincide with cash payments. This gives rise to a deferred lease benefit liability which is amortized over the term of the lease.

Rental expense for office space was \$398,469 and \$406,424 for 2012 and 2011, respectively. Included in rental expense for office space is \$30,355 and \$46,932 for the change in deferred lease benefit for the years ended September 30, 2012 and 2011, respectively. Rental expense for equipment was \$41,428 and \$27,904 for the years ended September 30, 2012 and 2011, respectively.

The Chapter has an agreement to pay the prior Chapter President consulting fees in the amount of \$50,000 per year for the years January 1, 2007 through January 1, 2017.

Note 7. **Temporarily Restricted Net Assets** - Temporarily restricted net assets as of September 30 are as follows:

	2012			2011	
Charitable Gift Annuities:					
Atwell Somerville	\$	39,209	\$	22,128	
Donald Brown		16,473		8,569	
Charcot Lecture:					
Jacqueline Havener		5,000		5,000	
Anne Lee Sahm Memorial		438		7,147	
Employment Conference		257		-	
MS Interest Group		-		4,820	
Caregivers Support Group		-		1,251	
Serono Grant		-		105	
Totals	\$	61,377	\$	49,020	

Note 8. Sharing of Public Support - In accordance with the affiliation agreement with the National Multiple Sclerosis Society (the Society), the Society 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 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 Society meets its programmatic goals and that all donor restrictions are honored. For the years ended September 30, 2012 and 2011, the Chapter's National Program Expense was calculated to be \$1,622,877 and \$1,476,334, respectively. For fiscal year 2013, the chapter's National Program Expense will be \$1,705,935. By setting the chapters' 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.

The Chapter participates in National's direct marketing program. Unrestricted public support received under the program by National that is attributable to Chapter sources is credited to and recorded by the Chapter at 50% of net revenue from the program. These amounts are recorded as contributions received from National in the accompanying statements of activities.

Note 9. Charitable Remainder Trusts - The Society is the beneficiary in split-interest agreements with donors, whereby National Headquarters controls and invests the donated assets and shares with the donor or the donor's designee income generated from these assets until such time as stated in the agreement (usually upon the death of the donor or the donor's designee). In prior years through the year ended September 30, 2011, the residual assets under these agreements were shared between the chapter designated by the donor and National Headquarters, generally at 60% for the chapter and 40% for National Headquarters, unless otherwise designated by the donor.

Effective fiscal year 2012, the Chapter Relations Committee (CRC) of the Board of Directors of the Society adopted a new policy which allocates 100% of the residual assets to the chapter in a split-interest agreement where a chapter is designated as a beneficiary by the donor. The CRC also applied the policy to all such agreements entered into as of September 30, 2011, resulting in the reallocation, during fiscal year 2012, to the chapters of the portion of contributions previously credited to National Headquarters as of that date. National Headquarters continues to hold, manage, invest and control the donated assets.

There were no new contributions allocated to the Chapter under the split-interest agreements for the years ended September 30, 2012 and 2011.

Note 9. **Charitable Remainder Trusts - (Continued)**

Should the annuitants live beyond normal life expectancies and/or the value of donated assets decline over the period of the annuitant's lives, there is a possibility that the Chapter would be required to subsidize later payments to the annuitants.

Note 10. **Retirement Plans** - The Chapter participates in the Society's noncontributory Defined Contribution Retirement Plan, which covers substantially all of the Chapter's employees, based on defined eligibility for covered employees. Temporary employees and independent contractors are not eligible. Employees become eligible on the first day of the first month after beginning employment and all covered employees receive a contribution on September 30 each year. Employees are fully vested at the end of five years. The contribution rate for the year ended September 30, 2012, as determined by the Society's President & Chief Executive Officer was 3% of gross annual salary. The pension expense incurred by the Chapter related to this plan for the years ended September 30, 2012 and 2011 was \$44,092 and \$25,334, respectively.

The Chapter maintains a supplemental tax deferred retirement plan under Section 403(b) of the Internal Revenue Code. Under the plan the participants are permitted to contribute a portion of pre-tax compensation that accumulates on a tax-deferred basis.

Note 11. **Subsequent Events** - In preparation of these financial statements, the Chapter has evaluated events and transactions for potential recognition or disclosure through November 26, 2012, which is the date the financial statements were available to be issued.