NATIONAL MULTIPLE SCLEROSIS SOCIETY - GREATER ILLINOIS CHAPTER

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

NATIONAL MULTIPLE SCLEROSIS SOCIETY - GREATER ILLINOIS CHAPTER

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

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ORBA OSTROW REISIN BERK & ABRAMS LTD.
CERTIFIED PUBLIC ACCOUNTANTS*

Independent Auditors' Report

Board of Trustees
National Multiple Sclerosis Society – Greater Illinois Chapter
Chicago, Illinois

We have audited the accompanying statement of financial position of National Multiple Sclerosis Society – Greater Illinois Chapter (the Chapter) as of September 30, 2011 and 2010 and the related statements of activities and changes in net assets, 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 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 – Greater Illinois Chapter as of September 30, 2011 and 2010 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.

Ostrow Reisin Berk + Abrams, Ltd.

January 18, 2012

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NATIONAL MULTIPLE SCLEROSIS SOCIETY - GREATER ILLINOIS CHAPTER

STATEMENT OF FINANCIAL POSITION

September 30,	**2011**	2010
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 1,998,047**	$ 1,773,710
Investments, at fair value, plus accrued interest (Notes 2, 4 and 10)	**86,783**	259,890
Pledges and other receivables (Note 3)	**1,353,904**	474,843
Prepaid expenses and other assets	**22,574**	21,901
Total current assets	**3,461,308**	2,530,344
Non-current assets:		
Pledges receivable, long-term (Note 3)	**25,000**	338,654
Furniture and equipment, less accumulated depreciation of $358,099 in 2011 and $316,820 in 2010	**225,480**	253,004
Equipment under capital leases, less accumulated depreciation of $23,792 in 2011 and $16,994 in 2010 (Note 5)	**10,196**	16,994
Due from National Multiple Sclerosis Society - charitable remainder trust	**1,847**	3,512
Total non-current assets	**262,523**	612,164
Total assets	**$ 3,723,831**	$ 3,142,508

See notes to financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY - GREATER ILLINOIS CHAPTER

STATEMENT OF FINANCIAL POSITION (CONTINUED)

September 30,	**2011**	2010
LIABILITIES AND NET ASSETS		
Current liabilities:		
Due to National Headquarters of Multiple Sclerosis Society:		
Apportionment of contributions and proceeds of fund raising projects (Note 9)	**$ 1,319,776**	$ 1,406,899
Other payables	**8,218**	12,135
Accounts payable and accrued expenses	**315,415**	173,664
Deferred revenue	**34,100**	
Capital lease obligation, current portion (Note 5)	**5,655**	9,110
Total current liabilities	**1,683,164**	1,601,808
Long-term liabilities:		
Due to National Headquarters of Multiple Sclerosis Society (Note 9)		338,654
Capital lease obligation, net of current portion shown above (Note 5)		5,869
Deferred rent and lease incentives (Note 4)	**632,318**	641,687
Total long-term liabilities	**632,318**	986,210
Total liabilities	**2,315,482**	2,588,018
Net assets (deficit):		
Unrestricted	**414,732**	(326,340)
Temporarily restricted (Notes 6 and 11)	**623,617**	510,830
Permanently restricted (Notes 6 and 11)	**370,000**	370,000
Total net assets	**1,408,349**	554,490
Total liabilities and net assets	**$ 3,723,831**	$ 3,142,508

See notes to financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY - GREATER ILLINOIS CHAPTER

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Years ended September 30,	2011				2010			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	Unrestricted	Temporarily restricted	Permanently restricted	Total
Public support:								
Received directly:								
Memberships and contributions (includes in-kind donations of $9,723 in 2011 and $22,267 in 2010)	**$ 996,341**	**$ 103,434**		**$ 1,099,775**	$ 1,119,458	$ 46,408		$ 1,165,866
Special events (includes in-kind donations of $75,000 in 2011 and $85,797 in 2010)	**5,538,702**	**50,000**		**5,588,702**	4,905,242			4,905,242
Less benefit to donor costs	**770,327**			**770,327**	668,521			668,521
Special events, net	**4,768,375**	**50,000**		**4,818,375**	4,236,721			4,236,721
Legacies received by Chapter	**958,874**			**958,874**	100,613			100,613
Received at National other than legacies	**178,045**			**178,045**	190,270			190,270
Total received directly	**6,901,635**	**153,434**		**7,055,069**	5,647,062	46,408		5,693,470
Received indirectly:								
Federated fund raising organizations	**5,649**			**5,649**	6,775			6,775
Total public support	**6,907,284**	**153,434**		**7,060,718**	5,653,837	46,408		5,700,245
Grants from governmental agencies					900,000			900,000
Other revenue:								
Investment income (Note 2)	**1,448**	**4,454**		**5,902**	1,769	10,784		12,553
Service program fees	**895**			**895**	4,269			4,269
Sublease income	**7,735**			**7,735**				
Miscellaneous income	**10,492**			**10,492**	14,439			14,439
Total other revenue	**20,570**	**4,454**		**25,024**	20,477	10,784		31,261
Net assets released from restrictions	**45,101**	**(45,101)**			78,139	(78,139)		
Total support, grants and revenue	**6,972,955**	**112,787**		**7,085,742**	6,652,453	(20,947)		6,631,506

See notes to financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY - GREATER ILLINOIS CHAPTER

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

Years ended September 30,	2011				2010			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	Unrestricted	Temporarily restricted	Permanently restricted	Total
Expenses:								
Program services:								
Research (Note 9)	**$ 1,125,767**			**$ 1,125,767**	$ 2,032,115			$ 2,032,115
Client services	**1,243,872**			**1,243,872**	1,250,326			1,250,326
Community services	**460,385**			**460,385**	404,159			404,159
Professional education and training	**196,986**			**196,986**	178,965			178,965
Public education	**620,586**			**620,586**	599,345			599,345
National program (Note 9)	**1,126,891**			**1,126,891**	864,747			864,747
Total program services	**4,774,487**			**4,774,487**	5,329,657			5,329,657
Supporting services:								
Fund raising	**1,118,984**			**1,118,984**	1,000,091			1,000,091
Management and general	**338,412**			**338,412**	279,845			279,845
Total supporting services	**1,457,396**			**1,457,396**	1,279,936			1,279,936
Total expenses	**6,231,883**			**6,231,883**	6,609,593			6,609,593
Changes in net assets	**741,072**	**$ 112,787**		**853,859**	42,860	$ (20,947)		21,913
Net assets (deficit), beginning of year	**(326,340)**	**510,830**	**$ 370,000**	**554,490**	(369,200)	531,777	$ 370,000	532,577
Net assets (deficit), end of year	**$ 414,732**	**$ 623,617**	**$ 370,000**	**$ 1,408,349**	$ (326,340)	$ 510,830	$ 370,000	$ 554,490

See notes to financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY - GREATER ILLINOIS CHAPTER

STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2011	Program services							Supporting services			Total		
	Research	National activities	Client services	Community services	Professional education and training	Public education	Total program services	Fund raising	Management and general	Total supporting services	program and supporting services	Benefit to donor costs	Totals
Salaries			$ 436,404	$ 239,561	$ 112,711	$ 346,018	$ 1,134,694	$ 385,116	$ 176,783	$ 561,899	$ 1,696,593		$ 1,696,593
Employee benefits			43,164	23,392	11,375	34,921	112,852	38,577	17,841	56,418	169,270		169,270
Payroll taxes			41,456	22,616	10,743	32,982	107,797	36,643	16,851	53,494	161,291		161,291
Total salaries and related expenses			521,024	285,569	134,829	413,921	1,355,343	460,336	211,475	671,811	2,027,154		2,027,154
Awards and grants to other MS related organizations			1,537				1,537				1,537		1,537
Depreciation			12,260	6,644	3,231	9,918	32,053	10,957	5,067	16,024	48,077		48,077
Direct financial assistance			163,565				163,565				163,565		163,565
Dues and memberships			715	387	188	578	1,868	676	295	971	2,839		2,839
Functionalized National program expense	$ 1,126,891						1,126,891				1,126,891		1,126,891
Furniture and equipment			18,462	10,556	4,865	14,936	48,819	16,500	7,631	24,131	72,950	$ 22,927	95,877
Insurance			10,615	5,753	2,797	8,587	27,752	9,487	4,387	13,874	41,626		41,626
Meetings			90,978	3,885	436	1,340	96,639	10,677	684	11,361	108,000	387,504	495,504
Miscellaneous			12,999	6,548	3,170	9,731	32,448	116,813	4,971	121,784	154,232	9,812	164,044
Occupancy			135,270	73,311	35,648	109,436	353,665	120,894	55,912	176,806	530,471		530,471
Postage and shipping			19,726	859	251	7,791	28,627	53,469	394	53,863	82,490		82,490
Printing and artwork			13,875	7,179	423	13,450	34,927	93,055	147	93,202	128,129		128,129
Prizes and promotional items			54	89	14	44	201	49	22	71	272	142,512	142,784
Professional			172,394	37,961	3,904	11,957	226,216	160,609	37,772	198,381	424,597		424,597
Program and office supplies			25,967	4,706	3,063	6,235	39,971	28,723	3,185	31,908	71,879	207,572	279,451
Restricted contributions to National for research and other activities	(1,124)						(1,124)				(1,124)		(1,124)
Telephone			16,043	7,919	3,482	10,690	38,134	12,001	5,462	17,463	55,597		55,597
Travel			28,388	9,019	685	1,972	40,064	24,738	1,008	25,746	65,810		65,810
Total expenses before public support to National	1,125,767		1,243,872	460,385	196,986	620,586	3,647,596	1,118,984	338,412	1,457,396	5,104,992	770,327	5,875,319
Public support to National		$ 1,126,891					1,126,891				1,126,891		1,126,891
Total expenses	$ 1,125,767	$ 1,126,891	$ 1,243,872	$ 460,385	$ 196,986	$ 620,586	$ 4,774,487	$ 1,118,984	$ 338,412	$ 1,457,396	$ 6,231,883	$ 770,327	7,002,210
Less direct benefit to donor costs													(770,327)
Total expenses as reported on the statement of activities													$ 6,231,883

See notes to financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY - GREATER ILLINOIS CHAPTER

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

Year ended September 30, 2010	Program services							Supporting services			Total		
	Research	National activities	Client services	Community services	Professional education and training	Public education	Total program services	Fund raising	Management and general	Total supporting services	program and supporting services	Benefit to donor costs	Totals
Salaries			$ 418,533	$ 183,588	$ 91,204	$ 305,783	$ 999,108	$ 331,314	$ 145,365	$ 476,679	$ 1,475,787		$ 1,475,787
Employee benefits			60,186	26,400	13,115	43,972	143,673	47,644	20,904	68,548	212,221		212,221
Payroll taxes			32,174	14,113	7,011	23,506	76,804	25,469	11,175	36,644	113,448		113,448
Total salaries and related expenses			510,893	224,101	111,330	373,261	1,219,585	404,427	177,444	581,871	1,801,456		1,801,456
Awards and grants to other MS related organizations			1,329				1,329				1,329		1,329
Depreciation			15,298	6,711	3,334	11,177	36,520	12,111	5,314	17,425	53,945		53,945
Direct financial assistance			151,879				151,879				151,879		151,879
Dues and memberships			426	187	93	311	1,017	337	148	485	1,502		1,502
Functionalized National program expense	$ 864,747						864,747				864,747		864,747
Furniture and equipment			18,137	8,631	3,952	13,251	43,971	14,357	6,299	20,656	64,627	$ 28,322	92,949
Insurance			10,047	4,407	2,189	7,340	23,983	7,953	3,489	11,442	35,425		35,425
Meetings			61,171	1,549	99	330	63,149	7,194	157	7,351	70,500	326,754	397,254
Miscellaneous			14,636	6,179	3,052	10,234	34,101	110,401	4,865	115,266	149,367	15,922	165,289
Occupancy			159,364	69,904	34,727	116,433	380,428	126,154	55,350	181,504	561,932		561,932
Postage and shipping			14,763	968	63	1,843	17,637	32,624	81	32,705	50,342		50,342
Printing and artwork			10,559	2,235	526	9,111	22,431	68,326	95	68,421	90,852		90,852
Prizes and promotional items												111,452	111,452
Professional			219,726	56,565	14,606	40,087	330,984	176,691	19,057	195,748	526,732		526,732
Program and office supplies			23,717	3,860	1,581	4,696	33,854	12,021	2,188	14,209	48,063	186,071	234,134
Restricted contributions to National for research and other activities	1,167,368						1,167,368				1,167,368		1,167,368
Telephone			16,958	7,452	3,185	10,607	38,202	12,268	5,042	17,310	55,512		55,512
Travel			21,423	11,410	228	664	33,725	15,227	316	15,543	49,268		49,268
Total expenses before public support to National	2,032,115		1,250,326	404,159	178,965	599,345	4,464,910	1,000,091	279,845	1,279,936	5,744,846	668,521	6,413,367
Public support to National		$ 864,747					864,747				864,747		864,747
Total expenses	$ 2,032,115	$ 864,747	$ 1,250,326	$ 404,159	$ 178,965	$ 599,345	$ 5,329,657	$ 1,000,091	$ 279,845	$ 1,279,936	$ 6,609,593	$ 668,521	7,278,114
Less direct benefit to donor costs													(668,521)
Total expenses as reported on the statement of activities													$ 6,609,593

See notes to financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY - GREATER ILLINOIS CHAPTER

STATEMENT OF CASH FLOWS

Years ended September 30,	2011	2010
Operating activities:		
Changes in net assets	$ 853,859	$ 21,913
Adjustments to reconcile above to cash provided by operating activities (Note A)	(790,857)	121,954
Cash provided by operating activities	63,002	143,867
Investing activities:		
Proceeds from sale of investments	184,414	252,385
Acquisition of furniture and equipment	(13,755)	
Cash provided by investing activities	170,659	252,385
Financing activity:		
Payments made on capital leases	(9,324)	(8,295)
Cash used in financing activity	(9,324)	(8,295)
Increase in cash and cash equivalents	224,337	387,957
Cash and cash equivalents, beginning of year	1,773,710	1,385,753
Cash and cash equivalents, end of year	$ 1,998,047	$ 1,773,710

See notes to financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY - GREATER ILLINOIS CHAPTER

STATEMENT OF CASH FLOWS (CONTINUED)

Years ended September 30,	2011	2010
Note A:		
Adjustments to reconcile changes in net assets to cash provided by operating activities:		
Net realized and unrealized loss on investments	$ **4,288**	$ 7,650
Depreciation	**48,077**	53,945
Donated investments	**(15,595)**	(22,570)
Due from National Multiple Sclerosis Society - Charitable remainder trust	**1,665**	223
(Increase) decrease in operating assets:		
Pledges and other receivables	**(565,407)**	553,145
Prepaid expenses and other assets	**(673)**	(10,780)
Increase (decrease) in operating liabilities:		
Due to National Headquarters, net	**(429,694)**	(308,010)
Due to other Chapters		(11,707)
Accounts payable and accrued expenses	**141,751**	(138,423)
Deferred revenue	**34,100**	
Deferred rent and lease incentives	**(9,369)**	(1,519)
Total adjustments	$ **(790,857)**	$ 121,954

See notes to financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY - GREATER ILLINOIS CHAPTER

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies

Description of organization:

The National Multiple Sclerosis Society – Greater Illinois Chapter (the Chapter) is a not-for-profit voluntary health agency which raises funds in the state of Illinois to provide services to people with multiple sclerosis, support multiple sclerosis research through its national organization and educate the public about the impact of multiple sclerosis. Services include supporting medical care centers, counseling, crisis services, education, transportation, recreation and physical therapy for individuals who have multiple sclerosis. The Chapter's primary revenue sources are private grants, sponsorships and fund raising campaigns. The Chapter is an affiliate of the National Multiple Sclerosis Society (National).

Basis of accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting.

Basis of presentation:

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification) for *Financial Statements of Not-for-Profit Organizations*. Under the Codification, the Chapter is required to report information regarding its financial position and activities according to the following three classes of net assets:

> **Unrestricted** - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees.
>
> **Temporarily restricted** - Net assets whose use by the Chapter is subject to donor-imposed stipulations that can be fulfilled by actions of the Chapter pursuant to those stipulations or that expire by the passage of time.
>
> **Permanently restricted** - Net assets subject to donor-imposed stipulations that are to be maintained permanently by the Chapter. Generally, the donors of these assets permit the Chapter to use all or part of the income earned on them. Such assets are included in the Chapter's permanent endowment fund.

1. Summary of significant accounting policies (continued)

Revenues:

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed stipulations. Expenses are reported as decreases in unrestricted net assets. Restricted revenue is reported as an addition to either temporarily restricted or permanently restricted net assets based on the existence and/or nature of any donor restrictions. Expirations of donor-imposed restrictions are reported as reclassifications between the applicable classes of net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Expense allocations:

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

Cash and cash equivalents:

Cash and cash equivalents include cash held in money market accounts.

The Chapter maintains a portion of its cash and investments in deposit and fund accounts which, at times, may exceed federally-insured limits. The Chapter has not experienced any losses in such accounts. Management believes that the Chapter is not exposed to any significant credit risk on its cash and investments.

Investments:

Investments in equity securities with readily determinable fair values and investments in debt securities are reported at fair value in the statement of financial position. Any realized or unrealized gains and losses are reported in the statement of activities and changes in net assets. Donated securities are recorded as contributions at their fair value at date of gift.

1. Summary of significant accounting policies (continued)

Furniture and equipment and related depreciation:

Expenditures for furniture and equipment in excess of $500 for individual purchases are capitalized and are stated at cost. Donated furniture and equipment are recorded at fair value at the date of donation. Provisions for depreciation including amounts attributable to leased assets are computed on the straight-line basis over the useful life of the asset. Asset lives range from four to ten years.

At the time assets are retired, sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the account balances and any gain or loss is recorded in the statement of activities and changes in net assets.

Contributions:

The Chapter follows the recommendations of the Codification for *Accounting for Contributions Received and Contributions Made*. Under the Codification, contributions received, including unconditional promises, are recognized as unrestricted, temporarily restricted or permanently restricted revenues when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances. Promises made and collected in the same reporting period are recorded when donor stipulations are substantially met. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenue of the unrestricted net asset class.

The Chapter records donated services and materials received for special events and other in-kind contributions as a contribution and a corresponding expense. The revenues and expenses for the years ended September 30, 2011 and 2010 are reflected at fair value at date of receipt. These contributed services and materials were valued at approximately $85,000 and $108,000 for the years ended September 30, 2011 and 2010, respectively. Donated marketable securities are recorded as contributions at their fair values at the date of donation.

In addition, a number of volunteers have donated significant amounts of their time to the Chapter's program services and supporting services. No amounts have been reflected in the accompanying financial statements for those donated services because they do not meet the criteria for revenue recognition established by the Codification for *Accounting for Contributions Received and Contributions Made*.

1. Summary of significant accounting policies (continued)

Contributions: (continued)

During the years ended September 30, 2011 and 2010, the Chapter received contributions of $823,073 and $627,229, respectively, which were restricted by the donors to be used solely for local chapter services and sponsorships for special events. These restricted contributions were in compliance with the restricted gift policy of National.

Advertising costs:

The Chapter expenses the costs of advertising as incurred. Advertising expenses were approximately $20,000 and $44,000 for the years ended September 30, 2011 and 2010, respectively. The advertising costs were primarily attributable to the advertising of the MS Walk and the MS 150 Bike Tour.

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 revenues and expenses during the reporting period. The functional allocation methodology used in the statement of functional expenses and statement of activities and changes in net assets includes management's estimates. Accordingly, actual results could differ from those estimates.

2. Investments

Investments at fair value consisted of certificates of deposit. Investment income in the statement of activities and changes in net assets consist primarily of interest income and net realized and unrealized gains and losses.

Investment income is summarized as follows:

Years ended September 30,	**2011**	2010
Interest income	**$ 10,190**	$ 20,203
Net realized and unrealized loss	**(4,288)**	(7,650)
Total investment income	**$ 5,902**	$ 12,553

3. Pledges and other receivables

Unconditional promises to give are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Unconditional promises and receivables are as follows:

September 30,	**2011**	2010
Pledges receivable:		
Receivable in one year or less	**$ 1,389,931**	$ 521,797
Receivable in one to five years	**25,000**	400,000
	1,414,931	921,797
Less discount to net present value	**61,346**	108,300
Total pledges receivable, net	**1,353,585**	813,497
Other receivables	**25,319**	
Total pledges and other receivables	**1,378,904**	813,497
Less current portion	**1,353,904**	474,843
Total long-term pledges receivable	**$ 25,000**	$ 338,654

The Chapter believes that the pledges receivable are fully collectible. Pledges which are receivable in more than one year are discounted at 4.25%.

4. Operating leases

During the year ended September 30, 2008, the Chapter entered into an operating lease for office space for its Chicago headquarters effective November 15, 2008. The initial lease term is fifteen years, with scheduled annual rental increases based on square footage. The lease also provides for additional rent equal to a proportionate share of real estate taxes and operating expenses. The lease requires the Chapter to have a $85,690 letter of credit as a security interest under this lease. The letter of credit is collateralized by a security interest in an investment account. The lease includes an eighteen-month rent abatement. The landlord's contribution to the build-out space and furniture is $1,020,500. The annual rent increases, rent abatement and landlord contribution for furniture will be recognized on a straight-line basis over the lease term. Deferred rent is the difference between rental payments and rent expense since the inception of the lease.

The Chapter also has various operating leases with lease terms expiring through the year ending September 30, 2014 on office equipment.

Future minimum lease payments under all operating leases are as follows:

Year ending September 30:	Amount
2012	$ 329,849
2013	321,932
2014	317,231
2015	301,266
2016	309,116
Thereafter	2,063,197
Total	$ 3,642,591

Total net rent expense under all operating leases was approximately $562,000 and $590,000 for the years ended September 30, 2011 and 2010, respectively.

4. Operating leases (continued)

Effective August 2011, the Chapter has two subtenants for a portion of its office space with lease terms ending on October 31, 2013 and August 31, 2014. The leases include rent abatements and also scheduled rent increases. The rent increases and rent abatements will be recognized on a straight-line basis over the lease term. Future minimum rent receivable under these subleases is as follows:

Year ending September 30:	Amount
2012	$ 35,335
2013	57,845
2014	28,980
Total	$ 122,160

5. Capital leases

The Chapter leases office equipment under a capital lease agreement that expires during the year ending September 30, 2012. Future minimum lease payments under this capital lease are all due in the year ending September 30, 2012 and total $5,852 with $197 representing interest payments. The present value of the net minimum lease payments is $5,655.

6. Restricted net assets

Temporarily restricted net assets are available for specific client services, such as the maintenance and expansion of client library resources. Their use is limited by donor-imposed stipulations that either expire with the passage of time or the fulfillment of specific obligations. Permanently restricted net assets represent endowment funds, which are to be invested to provide a permanent source of income (see Note 11). The income earned on these funds is considered temporarily restricted and is used for expenditures on client services or on the Chapter's annual research symposium.

As of September 30, 2011 and 2010, included in temporarily restricted net assets are amounts due to donor-imposed purpose restrictions for programs in the amount of $621,770 and $507,319, respectively. The remaining balance of temporarily restricted net assets of $1,847 and $3,511 as of September 30, 2011 and 2010, respectively, will expire by the passage of time.

7. Defined contribution retirement plan

The Chapter participates in National's noncontributory Defined Contribution Retirement Plan, which covers substantially all of the Chapter's employees, based on defined eligibility. Employees are eligible when they have attained the age of 21 and have worked 1,000 hours for the year. Employees must be employed by the Chapter on September 30 of each year in order to receive contributions for that year. Employees are fully vested at the end of five years. The contribution rate for the year ended September 30, 2011, as determined by National's chief executive officer was 3% of gross annual salary. There was no contribution expense for the year ended September 30, 2011 because forfeitures in the plan exceeded the required contribution amount. No contribution was approved for the year ended September 30, 2010.

8. Tax status

The National Multiple Sclerosis Society is a not-for-profit voluntary health agency exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (the Code) and has been classified as an organization that is not a private foundation under Section 509(a) of the Code. Accordingly, National is not required to pay income taxes on its exempt income. A determination letter from the Internal Revenue Service verifying National's tax-exempt status was received on August 28, 1995.

Contributions to National and its chapters qualify for the charitable contributions deduction to the extent provided by Section 170 of the Code.

9. Research and national activities expense

In January 2010, the Board of Directors of National approved a change in the policy for calculating each chapter's national program expense effective for the year ended September 30, 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 will calculate the national program expense for the 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 years' audited results as the revenue base. The remittance percentage is subject to adjustment each year to ensure that National meets its programmatic goals and that all donor restrictions are honored. For the year ended September 30, 2011, the Chapter's national program expense under the new policy was $2,201,829. For the year ending September 30, 2012, the Chapter's national program expense will be approximately $2,162,000.

9. Research and national activities expense (continued)

In addition to the fixed amount of national program expense for the year ended September 30, 2011, the Chapter made an additional contribution to the National organization in the amount of $51,954 which was earmarked for research and other national programs. This amount is reflected in the national program expense in the accompanying statement of activities.

For the year ended September 30, 2010, the Chapter was required to remit 40% of all unrestricted contributions, net of allowance, 50% of all unrestricted legacies and 100% of research restricted contributions to National. The total amount of contributions and legacies due to National amounted to $2,896,862 for the year ended September 30, 2010.

As of September 30, 2011, the Chapter owed $1,319,776 to National, which was due within one year. As of September 30, 2010, the Chapter owed $1,757,688 to National, of which $1,419,034 was due within one year and $338,654 was long-term.

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 the net revenue of the program. These amounts are recorded as contributions received indirectly from National in the accompanying statement of activities and changes in net assets.

Multi-year contributions that are restricted for research, if any, are remitted to National as the respective payments are received from donors.

The Chapter previously indicated its intent to contribute to National's Promise 2011 Campaign in the amount of $2,000,000, payable each year through 2011 in annual amounts to be determined by the Chapter. As of September 30, 2008, the Chapter satisfied its commitment to National's Promise 2011 Campaign. Contributions dedicated to this campaign in the amount of $20,995 were received in 2010, which, accordingly, have been recorded as expense under "Research and National Activities – Chapter contributions to National for research and other activities".

10. Fair value measurements

As required by the Fair Value Measurements and Disclosures of the Codification, the Chapter defines fair value, expands the disclosure requirements around fair value and specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Multiple inputs may be used to measure fair value; however, the level of fair value of each financial asset presented below is based on the lower significant input level within this fair value hierarchy. The following table provides the fair value hierarchy of the Chapter's financial assets as of September 30, 2011 and 2010:

September 30,	**2011**	2010
	Level 2	
Certificates of deposit	**$ 86,783**	$ 259,890

Details on the methods and assumptions used to determine the fair values of the financial assets and liabilities are as follows:

Fair value measurements based on Level 1 inputs: Measurements that are most observable are based on quoted prices of identical instruments obtained from the principal markets in which they are traded. Closing prices are both readily available and representative of fair value. Market transactions occur with sufficient frequency and volume to ensure liquidity.

Fair value measurements based on Level 2 inputs: Measurements derived indirectly from observable inputs or from quoted prices from markets that are less liquid are considered Level 2. Measurements may consider inputs that other market participants would use in valuing a portfolio, quoted market prices for similar securities, interest rates, credit risks and others.

Fair value measurements based on Level 3 inputs: Measurements that are least observable are estimated from related market data, determined from sources with little or no market activity for comparable contracts or are positions with longer durations.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Chapter believes that 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.

11. Endowments

The Chapter's endowment consists of two funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Chapter has interpreted the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 Chapter 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 as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Chapter in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Chapter considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Chapter and (7) the Chapter's investment policies.

The Chapter has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide for the immediate needs of the intended beneficiaries of its endowment funds while also maintaining the purchasing power of those endowment assets so that current and future generations may benefit equally. Endowment assets are invested in a manner that is intended to produce results that provide for a conservative level of investment risk. Investment risk is measured in terms of the total endowment fund; investment assets are managed to not expose the fund to unacceptable levels of risk.

The endowments are to be thought of as a permanent fund. As such, the investment objectives require disciplined and consistent management philosophies that accommodate all those events which are relevant, reasonable and probable. Therefore, periodic review of total rate of return and spending rate objectives is required. Extreme positions or variations in management style are not consistent with these objectives. As of September 30, all of the funds are held in money market funds and certificates of deposit which protect the principal and generate a minimal return. The spending policy of the Chapter allows the income generated by these endowments to be spent for the donors' intended purpose.

11. Endowments (continued)

The endowment funds of the Chapter are donor-restricted endowment funds.

Changes in endowment net assets for the years ended September 30, 2011 and 2010 are as follows:

Year ended September 30, 2011	**Temporarily Restricted**	**Permanently Restricted**	**Total Net Endowment Assets**
Endowment net assets, beginning of year	**$ 456,147**	**$ 370,000**	**$ 826,147**
Investment income	**8,545**		**8,545**
Net depreciation	**(4,091)**		**(4,091)**
Amounts appropriated for expenditure	**(3,152)**		**(3,152)**
Endowment net assets, end of year	**$ 457,449**	**$ 370,000**	**$ 827,449**

Year ended September 30, 2010	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	$ 514,954	$ 370,000	$ 884,954
Investment income	15,122		15,122
Net depreciation	(4,337)		(4,337)
Amounts appropriated for expenditure	(69,592)		(69,592)
Endowment net assets, end of year	$ 456,147	$ 370,000	$ 826,147

12. Allocation of joint costs

For the year ended September 30, 2011, the Chapter incurred joint costs of $752 for informational materials and activities that included fund raising appeals. Of those costs, $707 was allocated to fund raising and $45 was allocated to public education.

For the year ended September 30, 2010, the Chapter incurred joint costs of $4,470 for informational materials and activities that included fund raising appeals. Of those costs, $4,202 was allocated to fund raising and $268 was allocated to public education.

13. Subsequent events

Management of the Chapter has reviewed and evaluated subsequent events from September 30, 2011, the financial statement date through January 18, 2012, the date the financial statements were available to be issued. No events have occurred in this period that would be required to be recognized and/or disclosed in these financial statements as required by generally accepted accounting principles.