NATIONAL MULTIPLE SCLEROSIS SOCIETY
MINNESOTA CHAPTER
MINNEAPOLIS, MINNESOTA

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2009 AND 2008

NATIONAL MULTIPLE SCLEROSIS SOCIETY
MINNESOTA CHAPTER
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YEARS ENDED SEPTEMBER 30, 2009 AND 2008

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LarsonAllen LLP

CPAs, Consultants & Advisors

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
National Multiple Sclerosis Society
Minnesota Chapter
Minneapolis, Minnesota

We have audited the accompanying statements of financial position of National Multiple Sclerosis Society, Minnesota Chapter (the Chapter), a not-for-profit Chapter, as of September 30, 2009 and 2008, 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 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, Minnesota Chapter as of September 30, 2009 and 2008, 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.

LarsonAllen LLP

LarsonAllen LLP

Minneapolis, Minnesota
December 17, 2009

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NATIONAL MULTIPLE SCLEROSIS SOCIETY
MINNESOTA CHAPTER
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2009 AND 2008

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 2,455,973	$ 2,333,871
Investments - at Market	1,503,974	1,381,266
Contributions Receivable	140,099	149,984
Charitable Lead Trust	17,141	46,516
Prepaid Expenses and Other Assets	17,061	24,282
Total Current Assets	4,134,248	3,935,919
NONCURRENT ASSETS		
Contribution Receivable - Long-Term	31,266	-
Due from National Multiple Sclerosis Society	7,843	13,738
Property and Equipment, at Cost, Net of Accumulated Depreciation and Amortization	5,191	14,766
Investments - Designated for Deferred Compensation	155,201	122,646
Total Noncurrent Assets	199,501	151,150
Total Assets	$ 4,333,749	$ 4,087,069
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Due to National Multiple Sclerosis Society	$ 245,784	$ 116,508
Accounts Payable and Accrued Expenses	379,462	380,536
Grants Payable	27,500	65,002
Capital Lease Obligation	-	7,372
Deferred Revenue	54,311	117,193
Total Current Liabilities	707,057	686,611
LONG-TERM LIABILITIES		
Deferred Compensation	155,201	122,646
Total Long-Term Liabilities	155,201	122,646
NET ASSETS		
Unrestricted:		
Net Investment in Furniture and Equipment	5,191	7,394
Designated - Strategic Initiative	1,430,000	1,500,000
Undesignated - Working Capital	1,570,600	1,416,322
Total Unrestricted	3,005,791	2,923,716
Temporarily Restricted	145,841	127,237
Permanently Restricted	319,859	226,859
Total Net Assets	3,471,491	3,277,812
Total Liabilities and Net Assets	$ 4,333,749	$ 4,087,069

See accompanying Notes to Financial Statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY
MINNESOTA CHAPTER
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC REVENUE AND SUPPORT				
Received Directly:				
Special Events (Includes In-Kind Donations of $213,781 in 2009 and $157,893 in 2008)	$ 6,321,462	$ -	$ -	$ 6,321,462
Less: Benefit to Donor Costs	(827,091)	-	-	(827,091)
Net Special Events Revenue	5,494,371	-	-	5,494,371
Membership and Contributions (Includes In-Kind Donations of $94,697 in 2009 and $86,039 in 2008)	945,410	91,974	93,000	1,130,384
Legacies: Received by Chapter	221,540	-	-	221,540
Received at National (Other than Legacies)	135,354	-	-	135,354
Total Received Directly	6,796,675	91,974	93,000	6,981,649
Received Indirectly:				
Health Fund of Minnesota	105,110	-	-	105,110
Total Revenue from the Public	6,901,785	91,974	93,000	7,086,759
Other Revenue:				
Investment Income	50,983	-	-	50,983
Split Interest Agreement	-	(1,158)	-	(1,158)
Service Program Fees	59,815	-	-	59,815
Total Other Revenue	110,798	(1,158)	-	109,640
Net Assets Released from Restrictions	72,212	(72,212)	-	-
Total Public Revenue and Support	7,084,795	18,604	93,000	7,196,399
EXPENSES				
Program Services:				
Research	1,220,307	-	-	1,220,307
Client Programs	2,721,989	-	-	2,721,989
Community Programs	325,829	-	-	325,829
Professional Education and Training	135,824	-	-	135,824
Public Education	663,174	-	-	663,174
Total Program Services	5,067,124	-	-	5,067,124
Supporting Services:				
Fund Raising	1,180,653	-	-	1,180,653
Management and General	754,944	-	-	754,944
Total Supporting Services	1,935,597	-	-	1,935,597
Allocation to National	-	-	-	-
Total Expenses	7,002,720	-	-	7,002,720
CHANGE IN NET ASSETS FROM OPERATIONS	82,075	18,604	93,000	193,679
Gain (Loss) Discontinued Operations - Gaming	-	-	-	-
CHANGE IN NET ASSETS	82,075	18,604	93,000	193,679
Net Assets - Beginning of Year	2,923,716	127,237	226,859	3,277,812
NET ASSETS - END OF YEAR	$ 3,005,791	$ 145,841	$ 319,859	$ 3,471,491

See accompanying Notes to Financial Statements.

2008			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 6,782,698	$ -	$ -	$ 6,782,698
(839,490)	-	-	(839,490)
5,943,208	-	-	5,943,208
1,139,922	66,980	2,495	1,209,397
84,871	-	-	84,871
239,320	-	-	239,320
7,407,321	66,980	2,495	7,476,796
98,106	-	-	98,106
7,505,427	66,980	2,495	7,574,902
(196,772)	(38,061)	-	(234,833)
-	(7,605)	-	(7,605)
64,971	-	-	64,971
(131,801)	(45,666)	-	(177,467)
40,366	(40,366)	-	-
7,413,992	(19,052)	2,495	7,397,435
84,670	-	-	84,670
2,407,798	-	-	2,407,798
475,093	-	-	475,093
49,850	-	-	49,850
431,826	-	-	431,826
3,449,237	-	-	3,449,237
1,270,517	-	-	1,270,517
719,551	-	-	719,551
1,990,068	-	-	1,990,068
2,293,566	-	-	2,293,566
7,732,871	-	-	7,732,871
(318,879)	(19,052)	2,495	(335,436)
(308,089)	-	-	(308,089)
(626,968)	(19,052)	2,495	(643,525)
3,550,684	146,289	224,364	3,921,337
$ 2,923,716	$ 127,237	$ 226,859	$ 3,277,812

See accompanying Notes to Financial Statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY
MINNESOTA CHAPTER
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2009

	Program Activities						Support Activities					
	Research	Client Programs	Community Programs	Professional Education and Training	Public Education	Total Program Activities	Fund Raising	Management and General	Total Support Activities	Allocation to National MS Society	Benefit to Donor Costs	Total Expenses
Salaries	$ -	$ 615,181	$ 80,238	$ 20,131	$ 199,758	$ 915,307	$ 711,591	$ 379,076	$ 1,090,667	$ -	$ -	$ 2,005,974
Employee Benefits	-	53,735	7,166	1,796	17,551	80,248	64,382	126,149	190,531	-	-	270,780
Payroll Taxes	-	46,297	6,143	1,486	14,822	68,748	54,236	30,269	84,505	-	-	153,253
Total Salaries and Related Expenses	-	715,214	93,547	23,413	232,131	1,064,304	830,209	535,494	1,365,703	-	-	2,430,007
Printing and Artwork	-	79,919	1,776	199	20,782	102,676	53,905	3,369	57,274	-	-	159,950
Postage and Shipping	-	17,989	556	1,515	14,915	34,975	25,724	3,801	29,525	-	-	64,500
Telephone	-	6,388	812	284	1,460	8,944	5,324	2,202	7,526	-	-	16,470
Office Supplies	-	26,825	798	1,002	4,882	33,507	12,750	5,190	17,940	-	-	51,447
Dues and Memberships	-	904	1,000	-	658	2,562	2,136	909	3,045	-	-	5,607
Professional Fees	-	180,355	24,738	45	8,569	213,707	33,792	45,468	79,260	-	-	292,967
Travel	-	13,915	3,673	530	11,466	29,584	17,412	1,909	19,321	-	265,083	313,988
Meetings	-	331,665	3,115	161	3,775	338,716	20,085	7,627	27,712	-	260,570	626,998
Occupancy	-	95,386	9,809	2,760	28,448	136,403	93,643	82,912	176,555	-	-	312,958
Furniture and Equipment	-	1,998	39	12	191	2,240	4,861	633	5,494	-	-	7,734
Insurance (Property and Casualty)	-	20,989	2,321	681	7,164	31,155	20,944	9,400	30,344	-	-	61,499
Awards and Grants to Individuals and Other Orgs	-	100,000	180,000	-	-	280,000	-	-	-	-	-	280,000
Disbursements Made on Behalf of People with MS	-	433,988	-	-	-	433,988	-	-	-	-	-	433,988
Miscellaneous	-	429	111	1	318	860	7,032	34,873	41,904	-	57,225	99,988
Interest	-	-	-	-	-	-	-	245	245	-	-	245
Contract Wages	-	13,474	1,941	588	13,658	29,661	14,450	19,027	33,478	-	-	63,139
Advertising	-	-	1,364	-	-	1,364	34,238	-	34,238	-	-	35,602
Depreciation	-	2,635	229	65	822	3,751	3,940	1,884	5,824	-	-	9,575
Prizes and Promotional Items	-	-	-	-	-	-	208	-	208	-	244,212	244,420
Allocation to National	-	-	-	-	-	-	-	-	-	-	-	-
Restricted Contribution to National for Research and Other Activities	1,220,307	679,916	-	104,569	313,936	2,318,728	-	-	-	-	-	2,318,728
Total Expenses	1,220,307	2,721,989	325,829	135,824	663,174	5,067,124	1,180,653	754,944	1,935,597	-	827,090	7,829,810
Less: Direct Benefit to Donor Costs	-	-	-	-	-	-	-	-	-	-	(827,090)	(827,090)
Total Expenses	$ 1,220,307	$ 2,721,989	$ 325,829	$ 135,824	$ 663,174	$ 5,067,124	$ 1,180,653	$ 754,944	$ 1,935,597	$ -	$ -	$ 7,002,720

See accompanying Notes to Financial Statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY
MINNESOTA CHAPTER
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2008

	Program Activities						Support Activities					
	Research	Client Programs	Community Programs	Professional Education and Training	Public Education	Total Program Activities	Fund Raising	Management and General	Total Support Activities	Allocation to National MS Society	Benefit to Donor Costs	Total Expenses
Salaries	$ -	$ 674,383	$ 144,304	$ 22,258	$ 211,708	$ 1,052,653	$ 703,655	$ 309,312	$ 1,012,967	$ -	$ -	$ 2,065,620
Employee Benefits	-	59,471	10,386	2,057	16,846	88,760	61,673	107,795	169,468	-	-	258,228
Payroll Taxes	-	49,464	10,744	1,615	15,725	77,548	52,745	23,768	76,513	-	-	154,061
Total Salaries and Related Expenses	-	783,318	165,434	25,930	244,279	1,218,961	818,073	440,875	1,258,948	-	-	2,477,909
Printing and Artwork	-	105,479	3,174	2,836	60,189	171,678	82,528	5,971	88,499	-	-	260,177
Postage and Shipping	-	47,654	2,153	2,584	13,359	65,750	26,765	4,289	31,054	-	-	96,804
Telephone	-	4,323	1,248	211	919	6,701	3,335	1,396	4,731	-	-	11,432
Office Supplies	-	60,778	1,585	1,155	7,574	71,092	19,349	5,396	24,745	-	-	95,837
Dues and Memberships	-	1,635	21	3	550	2,209	2,061	659	2,720	-	-	4,929
Professional Fees	-	196,915	4,383	6,157	7,526	214,981	35,929	50,126	86,055	-	-	301,036
Travel	-	57,056	9,083	1,131	17,871	85,141	29,796	3,952	33,748	-	284,243	403,132
Meetings	-	469,548	21,474	6,305	3,851	501,178	27,336	13,837	41,173	-	220,406	762,757
Occupancy	-	78,852	7,721	2,152	21,862	110,587	74,232	72,573	146,805	-	-	257,392
Furniture and Equipment	-	7,375	923	279	2,062	10,639	6,948	1,075	8,023	-	-	18,662
Insurance (Property and Casualty)	-	19,050	2,144	634	6,350	28,178	18,411	7,331	25,742	-	-	53,920
Awards and Grants to Individuals and Other Orgs	-	80,000	248,934	-	-	328,934	-	-	-	-	-	328,934
Disbursements Made on Behalf of People with MS	-	477,316	-	-	-	477,316	-	-	-	-	-	477,316
Miscellaneous	-	3,267	5,134	38	1,984	10,423	4,382	35,996	40,378	-	64,128	114,929
Interest	-	-	-	-	-	-	-	1,277	1,277	-	-	1,277
Contract Wages	-	357	37	10	19,329	19,733	24,519	61,304	85,823	-	-	105,556
Advertising	-	-	-	-	20,058	20,058	79,899	-	79,899	-	-	99,957
Depreciation	-	14,875	1,512	425	4,063	20,875	15,728	13,494	29,222	-	-	50,097
Prizes and Promotional Items	-	-	133	-	-	133	1,226	-	1,226	-	270,712	272,071
Allocation to National	-	-	-	-	-	-	-	-	-	2,293,566	-	2,293,566
Restricted Contribution to National for Research and Other Activities	84,670	-	-	-	-	84,670	-	-	-	-	-	84,670
Total Expenses	84,670	2,407,798	475,093	49,850	431,826	3,449,237	1,270,517	719,551	1,990,068	2,293,566	839,489	8,572,360
Less: Direct Benefit to Donor Costs	-	-	-	-	-	-	-	-	-	-	(839,489)	(839,489)
Total Expenses	$ 84,670	$ 2,407,798	$ 475,093	$ 49,850	$ 431,826	$ 3,449,237	$ 1,270,517	$ 719,551	$ 1,990,068	$ 2,293,566	$ -	$ 7,732,871

See accompanying Notes to Financial Statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY
MINNESOTA CHAPTER
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 193,679	$ (643,525)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	9,575	60,742
Unrealized and Realized Losses	10,755	319,857
Gain on Sale of Equipment	-	(4,233)
Deferred Compensation	13,432	(4,760)
Change in Value of Split Interest Agreements	1,158	7,605
(Increase) Decrease in Operating Assets:		
Contributions Receivable	12,731	122,038
Accounts Receivable	-	63,964
Prepaid and Other Assets	7,221	34,510
Inventory	-	21,617
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	(1,074)	(157,934)
Deferred Income	(62,882)	27,865
Grants Payable	(37,502)	(28,123)
Due to National Multiple Sclerosis Society	129,276	(28,208)
Net Cash Provided (Used) by Operating Activities	276,369	(208,585)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	-	(7,791)
Proceeds from Sale of Property and Equipment	-	8,780
Proceeds from Sale of Investments	688,697	671,838
Purchase of Investments	(835,592)	(687,457)
Net Cash Used by Investing Activities	(146,895)	(14,630)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Capitalized Lease Obligation	(7,372)	(11,694)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	122,102	(234,909)
Cash and Cash Equivalents - Beginning of Year	2,333,871	2,568,780
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,455,973	$ 2,333,871

See accompanying Notes to Financial Statements.

NOTE 1 CHAPTER AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The National Multiple Sclerosis Society, Minnesota Chapter (the Chapter), is a not-for-profit Chapter whose mission is to end the devastating effects of multiple sclerosis (MS). The principal activities are to provide programs, services and advocacy on behalf of persons with multiple sclerosis and their families, principally residing in Minnesota, to support public education throughout the State about the devastating effects of the disease and to provide financing for research into the cause and cure for multiple sclerosis.

The Chapter is one of 53 chartered chapters of the National Multiple Sclerosis Society. Individually the financial statements of the Minnesota Chapter only present a portion of the National Multiple Sclerosis Society's operation. They include material inter-chapter income and expense, assets and liabilities, particularly between the National home office and the Chapter.

Net Asset Classifications

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 the board of trustees for the Chapter to utilize in any of its program or supporting services, and those resources invested in land, buildings, and equipment.

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.

All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions. The Chapter has elected to present temporarily restricted contributions, which are fulfilled in the same time period, within the unrestricted net asset class.

Revenue Recognition and Deferred Revenue

Contributions are recorded as revenue when received or promised (pledged) unconditionally, at their fair value. Gifts received with donor stipulations that limit the use of the donated assets are reported as temporarily restricted support. The Chapter recognizes income from legacies and bequests when an unassailable right to the gift has been established by the court and the proceeds are measurable in amount. When a donor restriction expires, that is, when a time restriction ends or purpose restricted net assets and reported in the statement of activities as net assets released from restrictions. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. It is the Chapter’s policy to record temporarily restricted contributions received and expended in the same accounting period in the unrestricted net asset class.

NOTE 1 CHAPTER AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition and Deferred Revenue (Continued)

Payments received prior to year-end for events which will occur in future years are treated as deferred revenue and recognized in revenue in the year the event occurs including sponsorships, registration fees and event contributions.

Exchange Transactions

Exchange transactions are reciprocal transfers in which each party receives and sacrifices something of equal value as opposed to a nonreciprocal transaction (i.e., a contribution) in which a donor provides resources to support the Chapter's mission and expects to receive nothing of direct value in exchange. Costs related to exchange transactions that benefit the Chapter or the beneficiaries of the Chapter are included with the Chapter's program or supporting service expenses. The costs of exchange transactions, which benefit only the recipient of the exchange and not the Chapter's programs or service beneficiaries, are reported separately as expenses related to exchange transactions. For the fiscal year ended September 30, 2008, the Chapter reported its charitable gaming activities as exchange transactions.

Cash and Cash Equivalents

The Chapter considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash is maintained at several financial institutions. Cash on deposit with these banks is in excess of FDIC limits. The Chapter has not experienced any losses in such accounts. The Chapter believes it is not exposed to any significant credit risk on its cash accounts.

Contributions Receivable

Contributions receivable that are expected to be collected within one year are recorded at their net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. Amortization of the discount is included in contribution revenue.

Contributions receivable consist of accruals of public support in which the commitment was made prior to year-end. Contributions receivable relates to fundraising events, bequests and other contribution commitments. The Chapter believes that all contributions receivable are fully collectible.

Property and Equipment

All major expenditures for furniture, equipment, and leasehold improvements costing more then $1,000 are capitalized at cost. Contributed equipment is recorded at fair market value at the date of donation. Depreciation is computed on the straight-line method over the estimated useful life of three to five years for furniture and equipment and the term of the lease for leasehold improvements.

NOTE 1 CHAPTER AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Chapter's investments are stated at fair value, with the net change in unrealized gains or losses included in the statement of activities. Donated securities are recorded as contributions at their fair value at date of gift and are liquidated upon receipt.

Donated Goods and Services

The Chapter records revenue and a corresponding expense for donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of donated services is determined based on the fair value of the services received or the increase in the fair value of the assets that are attributable to the donated services. The Chapter records donated goods as a contribution and a corresponding expense. The revenues and expenses for the years ended September 30, 2009 and 2008 are reflected at fair value.

In addition, a substantial number of unpaid volunteers have made significant contributions of their time to the Chapter. The value of over 40,000 hours of volunteer service is not reflected in these financial statements. No amounts have been reflected in the accompanying financial statement for these donated services because they do not meet the criteria for revenue recognition established by accounting principles.

Functional Expense Allocation

Expenses are charged to programs, supporting services, and revenue producing operations on the basis of specific identification, employee activity reports and management's judgment. Management and general expenses are supporting services that include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Chapter.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs for the years ended September 30, 2009 and 2008 were $35,602 and $99,957, respectively.

Income Tax

The Chapter is a not-for-profit Chapter as defined by the Internal Revenue Code (IRC) Section 501(c)(3) and has been classified as a Chapter that is not a private foundation under Section 509(a) of the IRC. Income derived from its exempt purpose activities is not subject to income tax. Other income of the Chapter not specifically derived within the exempt purpose, primarily gaming income, is potentially subject to unrelated business income tax. No taxes were owed for the years ended September 30, 2009 and 2008 and, accordingly, no provision for such tax has been made in these financial statements.

Contributions to the Chapter qualify for the charitable contributions deduction to the extent provided by Section 170 of the IRC.

The Chapter has elected to defer application of the recent standard, *Accounting for Uncertainty in Income Taxes*. The Organization follows the previous guidance, *Accounting for Contingencies*, for evaluating uncertain tax positions.

NOTE 1 CHAPTER AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Uniform Prudent Management of Institutional Funds Act

During fiscal 2009, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) became effective in the State of Minnesota. UPMIFA provides guidance on the classification of endowment fund net assets for states that have enacted versions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and enhances disclosures for endowment funds. Under UPMIFA all unappropriated endowment fund assets are considered restricted. The financial statements impact for implementation is detailed in Note 18.

Fair Value Measurements

As of October 1, 2008, the Chapter adopted a new accounting standard related to fair value measurements. Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Chapter emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

The Chapter also was able to adopt an accounting standard related to the fair value of financial assets and liabilities. It allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Chapter has not elected to measure any existing financial instruments at fair value at October 1, 2008, as permitted. However, the Chapter may elect to measure newly acquired financial instruments at fair value in the future.

Fair Value Hierarchy

The Chapter has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

NOTE 1 CHAPTER AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Hierarchy (Continued)

Financial assets and liabilities recorded on the balance sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1 - Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Chapter has the ability to access (examples include active exchange-traded equity securities, listed derivatives, and most U.S. Government and agency securities).

Level 2 - Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets (for example, restricted stock);
- Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently);
- Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including interest rate and currency swaps); and pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability (examples include certain residential and commercial mortgage related assets, including loans, securities, and derivatives).

Level 3 - Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability (examples include certain private equity investments, long-term promises to give, split-interest agreements, and long-term grants payable).

Subsequent Events

In preparing these financial statements, the Chapter has evaluated events and transactions for potential recognition or disclosure through December 17, 2009, the date the financial statements were available to be issued.

NOTE 2 INVESTMENTS

Investments are stated at fair values and are summarized as follows for the years ended September 30:

	2009	2008
Money Market Funds	$ 236,309	$ 107,788
Government Securities	313,883	270,576
Flexible Annuity	155,201	122,646
Fixed Income	270,637	207,796
Equities	683,145	795,106
Subtotal Investments	1,659,175	1,503,912
Less: Flexible Annuity	155,201	122,646
Total	$ 1,503,974	$ 1,381,266

The fair values of the investments and flexible annuity are derived as detailed in Note 12. The Flexible Annuity is designated by the board of trustees to fund the deferred compensation program.

Investments are classified on the statement of financial position as follows:

	2009	2008
Permanently Restricted Endowment Fund Investments	$ 319,859	$ 226,859
Unrestricted Investments	1,184,115	1,154,407
Subtotal Investments - at Market	1,503,974	1,381,266
Board of Trustees Designated to Fund Deferred Compensation Plan	155,201	122,646
Total	$ 1,659,175	$ 1,503,912

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended September 30:

	2009	
	Unrestricted	Temporarily Restricted
Interest and Dividend Income	$ 53,696	$ -
Unrealized Gain	228,688	-
Realized Loss	(239,443)	-
Total Gain from Investments	42,941	-
Interest Income	8,042	-
Total Income from Cash and Cash Equivalents	8,042	-
Total Gain from Investments and Cash and Cash Equivalents	$ 50,983	$ -

NOTE 2 INVESTMENTS (CONTINUED)

	2008	
	Unrestricted	Temporarily Restricted
Interest and Dividend Income	$ 43,545	$ 7,935
Unrealized Loss	(199,060)	(33,147)
Realized Loss	(74,801)	(12,849)
Total Loss from Investments	(230,316)	(38,061)
Interest Income	33,544	-
Total Income from Cash and Cash Equivalents	33,544	-
Total Loss from Investments and Cash and Cash Equivalents	$ (196,772)	$ (38,061)

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable at September 30 consist of the following:

	2009	2008
Unconditional Promises to Give from Special Events	$ 50,833	$ 59,475
Unconditional Promise to Give from Other Organizations	45,000	50,000
Healthfund of Minnesota Distribution	29,284	25,898
Sponsorships and Other Receivables	47,982	14,611
Total Contributions Receivable	173,099	$ 149,984
Present Value Discount - 1.75%	(1,734)	-
Net Contributions Receivable	$ 171,365	$ 149,984

Unconditional promises to give at September 30, 2009 and 2008 are expected to be realized in the following years:

	2009	2008
Within One Year	$ 140,099	$ 149,984
In One to Five Years	33,000	-
	173,099	149,984
Less: Discounts (1.64% - 1.75%)	(1,734)	-
Total	$ 171,365	$ 149,984

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants, contracts, and others. 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 the applicable accounts receivable. As of September 30, 2009 and 2008, no allowance for doubtful accounts was deemed necessary.

NOTE 4 PROPERTY AND EQUIPMENT

At September 30 property and equipment consists of the following:

	2009	2008
Furniture, Fixtures and Equipment	$ 81,647	$ 133,012
Leasehold Improvements	912,170	912,170
Total Cost Property and Equipment	993,817	1,045,182
Accumulated Depreciation and Amortization	(988,626)	(1,030,416)
Net Property and Equipment	$ 5,191	$ 14,766

NOTE 5 CHARITABLE LEAD TRUST

The Chapter has been named as a 25% beneficiary in a Charitable Lead Trust. The Trust shall distribute an amount equal to 7% of the net fair market value ($901,114 and $1,040,118 at September 30, 2009 and 2008, respectively) of the trust assets, as of the initial date (December 14, 2000), in quarterly installments at the end of each calendar quarter. The amount of the quarterly distribution will be adjusted for changes in the market value of trust assets, on the anniversary date of the trust. The Trust is for a period of ten years. The Chapter has recorded its interest in the Charitable Lead Trust at fair value using the present value of the anticipated cash flows from the Trust using a discount rate of 4%.

	2009	2008
Remaining Estimated Payments	$ 17,659	$ 48,872
Present Value Discount	(518)	(2,356)
Value of Charitable Lead Trust	$ 17,141	$ 46,516

NOTE 6 DEFERRED REVENUE

Deferred revenue consists of payments received for the following purposes.

	2009	2008
Sponsorships Primarily for Annual Convention	$ -	$ 67,945
Future Year Event Registrations	33,315	35,010
Future Year Event Contributions	20,996	14,238
Total	$ 54,311	$ 117,193

NOTE 7 NET ASSETS

Unrestricted Net Assets

The National Multiple Sclerosis office recommends that local chapters maintain net assets for working capital needs equal to 50% of the chapter's total budgeted expenses, excluding National's program share. The Minnesota Chapter has undesignated net assets available for working capital needs of $1,525,119 and $1,416,322 as of September 30, 2009 and 2008, respectively. Budgeted expenses excluding payments to National for fiscal year 2010 and 2009 total $4,414,937 and $5,448,736.

Temporarily Restricted Net Assets

The Chapter's temporarily restricted net assets consist of the following of as September 30:

	2009	2008
Gift Annuity Time Restriction	$ 7,843	$ 13,738
Charitable Lead Trust Time Restricted	17,141	46,516
Unexpended Purpose Restricted Contributions	120,857	66,983
Total	$ 145,841	$ 127,237

Net assets released from restriction during 2009 and 2008 totaled $72,212 and $40,366 respectively, due to the fulfillment of program related restrictions.

Permanently Restricted Net Assets

The Chapter maintains the following endowment funds, which are permanently restricted as of September 30:

	2009	2008
E.W. Endowment Fund	$ 65,450	$ 65,450
Joanne Levin Endowment Fund	161,909	161,409
Academic Scholarship Endowment Fund	92,500	-
Total	$ 319,859	$ 226,859

The E.W. Endowment Fund requires the Chapter to preserve its principal in perpetuity. The income earned by the fund is to be used by the Chapter in its services program to help people with MS, especially for people in financial need to ease their physical and emotional pain.

The Joanne Levin Endowment Fund income is to be used for the purchase of adaptive devices to assist clients with multiple sclerosis to live independently. In the event alternative funding sources become available to provide such devices, the Chapter's Board of Trustees may dedicate the assets of this fund for other purposes.

The Academic Scholarship Endowment Fund supports post-secondary scholarships for Minnesota Chapter area students affected by multiple sclerosis.

NOTE 8 LEASE COMMITMENT

The Chapter leases its office and warehouse space on a ten-year lease commencing April 1, 1998. During 2007, the Chapter extended their lease for an additional five years beginning April 1, 2008. The extended lease calls for monthly lease payments of $10,793. In addition to the base rent, the Chapter is responsible for insurance, utilities, maintenance, and real estate taxes. The Chapter has the first right of refusal to purchase the building if the landlord wishes to sell the building within the lease term.

Minimum annual office lease payments are as follows:

Year Ending September 30,	Amount
2010	$ 129,525
2011	129,525
2012	129,525
2013	64,763
Thereafter	-
Total	$ 453,338

Total rent expense for the Chapter in years ended September 30 was:

	2009	2008
Office Rent	$ 129,525	$ 120,458
Operating Costs	67,484	65,890
Subtotal Operating Costs	197,009	186,348
Lawful Gaming Sites	-	284,324
Total	$ 197,009	$ 470,673

NOTE 9 EMPLOYEE BENEFIT PLANS

The Chapter maintains five employee benefit plans:

Cafeteria Plan: A cafeteria plan under Section 125 of the IRC is offered to all eligible full-time employees who elect to participate and reduce their compensation for certain benefits.

403(b) Plan: A voluntary retirement plan is offered to all eligible employees. This is an employee funded tax deferred annuity plan. Employees are fully vested in their contributions.

457(b) Plan: A voluntary retirement plan that is offered to certain highly compensated employees. The plan is an employee funded tax deferred annuity plan. Employees are fully vested in their contributions.

401(m) Plan: This is a voluntary retirement plan whereby the Chapter matches 100% of the first 6% of salary contributed by eligible and participating 403(b) employees. Employees are fully vested after five years of service. The total employer contribution was $86,642 and $97,303 for the fiscal years ended September 30, 2009 and 2008, respectively.

NOTE 9 EMPLOYEE BENEFIT PLANS (CONTINUED)

457(f) Plan: This is a non-qualified deferred compensation plan covering certain highly compensated employees who are not eligible to participate in the 401(m) plan. The amount of contributions made to the plan by the Chapter is negotiated between the Board of Trustees of the Chapter and the individual employee. Participating employees may forfeit their plan benefits under certain circumstances as specified in the plan document. The total employer contribution under this plan was $13,432 and $13,143 for the fiscal years ended September 30, 2009 and 2008, respectively. The Chapter, subject to the claims of its general creditors, holds the assets in the plan until the employees become eligible for withdrawals as provided in the plan document. The assets and the related liability of the Plan have been reflected in the Chapter's statement of financial position at September 30, 2009 and 2008.

NOTE 10 ALLOCATION OF JOINT COSTS

The Chapter incurred joint costs, for information materials and activities that included fundraising appeals.

The joint costs were allocated as follows for years ended September 30:

	2009	2008
Program Activities	$ 241,299	$ 266,087
Fund Raising	447,325	518,560
Management and General	9,251	9,452
Total	$ 697,875	$ 794,099

NOTE 11 ALLOCATION TO NATIONAL

The Chapter is required to remit 40% of all unrestricted contributions, net of allowances, 50% of all unrestricted legacies and 100% of research restricted contribution to the National Multiple Sclerosis Society. The national organization uses these funds to finance programs at the national level, fund research, and provide services to the chapters.

	2009	2008
Required National Remittance	$ 2,196,788	$ 2,293,566
Research Gifts Received at Chapter	21,897	49,670
Additional Honor Roll Research Gift	100,000	35,000
Total	$ 2,318,685	$ 2,378,236

NOTE 12 FAIR VALUE MEASUREMENTS

The Chapter's assets measured on a recurring basis on September 30, 2009 as follows:

	Level 1	Level 2	Level 3	Total
Investments				
Money Market Funds	$ 216,958	$ -	$ 19,351	$ 236,309
Government Securities	313,883	-	-	313,883
Fixed Income	217,834	-	52,803	270,637
Equities	562,565	-	120,580	683,145
Beneficial Trusts	-	-	17,141	17,141
Flexible Annuity	155,201	-	-	155,201
Total	$ 1,466,441	$ -	$ 209,875	$ 1,676,316

Changes in valuation of Level 3 financial instruments for the year ended September 30, 2009 are as follows:

	Investments	Interest in Split Interest Agreements	Total
Balance September 30, 2008	$ 186,340	$ 46,516	$ 232,856
Change in Value of Beneficial Trusts	-	(15,248)	(15,248)
Change in Value of Flexible Annuity	-	-	-
Purchase of Investments	71,629	-	71,629
Proceeds from Sale of Investments	(71,629)	(14,127)	(85,756)
Change in Value of Investments	6,394	-	6,394
Balance September 30, 2009	$ 192,734	$ 17,141	$ 209,875

NOTE 13 RELATED PARTY TRANSACTIONS

Grants were approved and awarded for the year ended September 30, 2008 by the National Multiple Sclerosis Society, Minnesota Chapter to clinics which provide patient education and support. A $15,000 grant during the year ended September 30, 2008 was awarded to clinics in which a board of trustee member had an affiliation. In accordance with the Chapter's conflict of interest policy, the recipients did not participate in this decision. No grants were awarded to the affiliated clinics in 2009.

NOTE 14 CONDITIONAL PROMISE TO GIVE

The Chapter's board of trustees resolved, on September 7, 2004, to participate in the National Multiple Sclerosis Society's national fund raising campaign, Promise 2010. As part of the Campaign, the Chapter has agreed to contribute $1,000,000 to the campaign over a five-year period, with the first payment in fiscal year 2004 and the final payment due in 2010. If unforeseen circumstances arise that make it impossible for the Chapter to meet the commitment, the Chapter will not be required to make the annual payments. Subsequent to year end a decision was made to pay the remaining balance and payment was made prior to the report issuance date.

Promise 2010 Conditional Promise to Give	$ 1,000,000
Less: Gifts Received at Chapter	(79,009)
Less: Honor Roll Gifts Applied to Campaign:	
Fiscal 2004	(100,000)
Fiscal 2005	(500,000)
Fiscal 2006	(100,000)
Fiscal 2007	(100,000)
Fiscal 2008	(35,000)
Remaining Conditional Promise to Give	$ 85,991

NOTE 15 DONATED GOODS AND SERVICES

Donated goods and services were expensed in the following categories for the years ended September 30:

	2009	2008
Program Expenses:		
Client Programs	$ 94,697	$ 86,039
Direct Benefit Expense	213,781	157,893
Total Donated Goods and Services Expense	$ 308,478	$ 243,932

NOTE 16 COMMITMENT AND CONTINGENCIES

As of September 30, 2009, the Chapter has entered into several contracts with regards to future conferences and events to be held. At September 30, 2009, total commitments for future conferences and events were approximately $17,020. The amount of the Chapter’s commitments concerning these contracts increases as the scheduled dates of the conferences approach.

NOTE 17 DISCONTINUED OPERATIONS – CHARITABLE GAMING

The Chapter discontinued all gaming operations in 2008. For the year ended September 30, 2008, the Chapter incurred the following revenue and expense from gaming.

	2008
Revenues	$ 6,300,231
Expenses	(6,608,320)
Gain (Loss) from Discontinued Operations	$ (308,089)

NOTE 18 ENDOWMENTS

Interpretation of Relevant Law

The Board of Trustees of the Chapter has interpreted the Minnesota 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 fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Chapter classifies as permanently restricted net assets the original value of the gifts to the permanent endowment and the value of subsequent gifts to the permanent endowment.

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 fund
(2) The purposes of the Chapter 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 Chapter
(7) The investment policies of the Chapter

NOTE 18 ENDOWMENT (CONTINUED)

The following is a summary of endowment funds subject to Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) for the years ended September 30:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total
Endowment Investments, September 30, 2008	$ (40,519)	$ -	$ 226,859	$ 186,340
Investment Income (Loss)	6,394	-	-	6,394
Contibutions	-	-	93,000	93,000
Appropriations	-	-	-	-
Endowment Investments, September 30, 2009	$ (34,125)	$ -	$ 319,859	$ 285,734

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008 Total
Endowment Investments September 30, 2007	$ -	$ 41,965	$ 224,364	$ 266,329
Investment Income (Loss)	-	(38,061)	-	(38,061)
Contibutions	-	-	2,495	2,495
Appropriations	(40,519)	(3,904)	-	(44,423)
Endowment Investments September 30, 2008	$ (40,519)	$ -	$ 226,859	$ 186,340

Fund with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Chapter to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $34,125 and $40,519 as of September 30, 2009 and 2008, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred during 2008 and 2009.

Investment Objectives and Strategies

The Chapter has adopted an investment policy to provide guidelines for investing endowment assets. Under this policy, as approved by the finance committee of the board of trustees, the endowment assets are invested in a manner that is intended to maintain the purchasing power of the current assets and all future contributions, maximize return within reasonable and prudent levels of risk, and maintain an appropriate asset allocation based on a total return policy that is compatible with a flexible spending policy.

To achieve these objectives, the Chapter follows an asset diversification plan, sets performance benchmarks for investments managers, and has established various asset quality and limitations thresholds.

NOTE 18 ENDOWMENT (CONTINUED)

Spending Policy

The Chapter has a policy of appropriating endowment earnings for distribution each year. In establishing this policy, the Chapter considered the long-term expected return on its endowment. Approved distributions that are not used for a calendar year will accumulate and be available for distribution in subsequent years. At no time will the distributions reduce the value of the endowment below donor contributions.