NATIONAL MULTIPLE SCLEROSIS SOCIETY
MINNESOTA CHAPTER
MINNEAPOLIS, MINNESOTA

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2010 AND 2009

NATIONAL MULTIPLE SCLEROSIS SOCIETY
MINNESOTA CHAPTER
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YEARS ENDED SEPTEMBER 30, 2010 AND 2009

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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, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the 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, 2010 and 2009, 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 16, 2010

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NATIONAL MULTIPLE SCLEROSIS SOCIETY
MINNESOTA CHAPTER
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 2,648,410	$ 2,455,973
Investments - at Market	1,686,875	1,503,974
Contributions Receivable	158,480	140,099
Prepaid Expenses and Other Assets	25,784	17,061
Total Current Assets	4,519,549	4,117,107
NONCURRENT ASSETS		
Contribution Receivable - Long-Term	30,920	31,266
Due from National Multiple Sclerosis Society	8,088	7,843
Due from Other Chapters	5,456	-
Property and Equipment, at Cost, Net of Accumulated Depreciation and Amortization	4,390	5,191
Charitable Lead Trust	57,445	17,141
Investments - Designated for Deferred Compensation	181,377	155,201
Total Noncurrent Assets	287,676	216,642
Total Assets	$ 4,807,225	$ 4,333,749
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Due to National Multiple Sclerosis Society	$ 217,833	$ 245,784
Due to Other Chapters	15,084	-
Accounts Payable and Accrued Expenses	552,893	379,462
Grants Payable	27,500	27,500
Deferred Revenue	67,311	54,311
Total Current Liabilities	880,621	707,057
LONG-TERM LIABILITIES		
Deferred Compensation	181,377	155,201
Total Liabilities	1,061,998	862,258
NET ASSETS		
Unrestricted:		
Net Investment in Furniture and Equipment	4,390	5,191
Designated - Strategic Initiative	1,500,000	1,430,000
Undesignated - Working Capital	1,659,949	1,570,600
Total Unrestricted	3,164,339	3,005,791
Temporarily Restricted	218,529	145,841
Permanently Restricted	362,359	319,859
Total Net Assets	3,745,227	3,471,491
Total Liabilities and Net Assets	$ 4,807,225	$ 4,333,749

See accompanying Notes to Financial Statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY
MINNESOTA CHAPTER
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC REVENUE AND SUPPORT				
Received Directly:				
Special Events (Includes In-Kind Donations of $170,872 in 2010 and $213,781 in 2009)	$ 6,659,305	$ -	$ -	$ 6,659,305
Less: Benefit to Donor Costs	(835,393)	-	-	(835,393)
Net Special Events Revenue	5,823,912	-	-	5,823,912
Membership and Contributions (Includes In-Kind Donations of $89,712 in 2010 and $94,697 in 2009)	793,360	89,131	42,500	924,991
Legacies: Received by Chapter	665,806	-	-	665,806
Received at National (Other than Legacies)	111,961	-	-	111,961
Total Received Directly	7,395,039	89,131	42,500	7,526,670
Received Indirectly:				
Health Fund of Minnesota	92,024	-	-	92,024
Total Revenue from the Public	7,487,063	89,131	42,500	7,618,694
Other Revenue:				
Investment Income	196,373	-	-	196,373
Split Interest Agreement	246	-	-	246
Service Program Fees	60,034	-	-	60,034
Total Other Revenue	256,653	-	-	256,653
Net Assets Released from Restrictions	16,443	(16,443)	-	-
Total Public Revenue and Support	7,760,159	72,688	42,500	7,875,347
EXPENSES				
Program Services:				
Research	1,877,121	-	-	1,877,121
Client Programs	2,610,955	-	-	2,610,955
Community Programs	303,880	-	-	303,880
Professional Education and Training	162,812	-	-	162,812
Public Education	675,306	-	-	675,306
Total Program Services	5,630,074	-	-	5,630,074
Supporting Services:				
Fund Raising	1,177,620	-	-	1,177,620
Management and General	793,917	-	-	793,917
Total Supporting Services	1,971,537	-	-	1,971,537
Total Expenses	7,601,611	-	-	7,601,611
CHANGE IN NET ASSETS	158,548	72,688	42,500	273,736
Net Assets - Beginning of Year	3,005,791	145,841	319,859	3,471,491
NET ASSETS - END OF YEAR	$ 3,164,339	$ 218,529	$ 362,359	$ 3,745,227

See accompanying Notes to Financial Statements.

2009			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 6,321,462	$ -	$ -	$ 6,321,462
(827,091)	-	-	(827,091)
5,494,371	-	-	5,494,371
945,410	91,974	93,000	1,130,384
221,540	-	-	221,540
135,354	-	-	135,354
6,796,675	91,974	93,000	6,981,649
105,110	-	-	105,110
6,901,785	91,974	93,000	7,086,759
50,983	-	-	50,983
-	(1,158)	-	(1,158)
59,815	-	-	59,815
110,798	(1,158)	-	109,640
72,212	(72,212)	-	-
7,084,795	18,604	93,000	7,196,399
1,220,307	-	-	1,220,307
2,721,989	-	-	2,721,989
325,829	-	-	325,829
135,824	-	-	135,824
663,174	-	-	663,174
5,067,123	-	-	5,067,124
1,180,653	-	-	1,180,653
754,944	-	-	754,944
1,935,597	-	-	1,935,597
7,002,720	-	-	7,002,721
82,075	18,604	93,000	193,678
2,923,716	127,237	226,859	3,277,812
$ 3,005,791	$ 145,841	$ 319,859	$ 3,471,490

NATIONAL MULTIPLE SCLEROSIS SOCIETY
MINNESOTA CHAPTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2010

	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	Benefit to Donor Costs	Total Expenses
Salaries	$ -	$ 568,699	$ 62,724	$ 18,108	$ 203,023	$ 852,554	$ 692,572	$ 351,050	$ 1,043,622	$ -	$ 1,896,176
Employee Benefits	-	43,910	5,509	1,626	13,069	64,114	62,544	122,982	185,526	-	249,640
Payroll Taxes	-	44,605	4,820	1,344	14,939	65,708	56,104	34,325	90,429	-	156,137
Total Salaries and Related Expenses	-	657,214	73,053	21,078	231,031	982,376	811,220	508,357	1,319,577	-	2,301,953
Printing and Artwork	-	43,381	1,148	41	20,898	65,468	48,546	3,507	52,053	-	117,521
Postage and Shipping	-	15,334	352	738	11,587	28,011	22,918	3,641	26,559	-	54,570
Telephone	-	6,628	862	254	1,593	9,337	4,459	2,343	6,802	-	16,139
Office Supplies	-	26,415	1,086	87	3,526	31,114	13,662	6,030	19,692	-	50,806
Dues and Memberships	-	1,577	2,012	-	436	4,025	1,214	776	1,990	-	6,015
Professional Fees	-	170,945	33,151	3,036	8,440	215,572	29,017	43,941	72,958	-	288,530
Travel	-	11,962	5,930	7	8,016	25,915	16,105	4,829	20,934	275,050	321,899
Meetings	-	188,293	1,912	418	2,906	193,529	21,242	12,473	33,715	322,537	549,781
Occupancy	-	78,809	7,696	2,145	21,797	110,447	74,881	72,899	147,780	-	258,227
Furniture and Equipment	-	21,132	1,442	429	4,891	27,894	40,364	6,701	47,065	-	74,959
Insurance (Property and Casualty)	-	12,498	1,337	392	6,527	20,754	18,681	6,110	24,791	-	45,545
Awards and Grants to Individuals and Other Orgs	-	100,000	170,000	-	-	270,000	-	-	-	-	270,000
Disbursements Made on Behalf of People with MS	-	470,793	-	-	-	470,793	-	-	-	-	470,793
Miscellaneous	-	651	43	1	7,930	8,625	17,528	122,082	139,610	53,585	201,820
Interest	-	-	-	-	-	-	-	-	-	-	-
Contract Wages	-	-	3,845	-	10,425	14,270	11,024	-	11,024	-	25,294
Advertising	-	-	-	-	-	-	45,324	-	45,324	-	45,324
Depreciation	-	482	11	3	37	533	1,085	228	1,313	-	1,846
Prizes and Promotional Items	-	-	-	-	-	-	350	-	350	184,221	184,571
Restricted Contribution to National for Research and Other Activities	1,877,121	804,841	-	134,183	335,266	3,151,411	-	-	-	-	3,151,411
Total Expenses	1,877,121	2,610,955	303,880	162,812	675,306	5,630,074	1,177,620	793,917	1,971,537	835,393	8,437,004
Less: Direct Benefit to Donor Costs	-	-	-	-	-	-	-	-	-	(835,393)	(835,393)
Total Expenses	$ 1,877,121	$ 2,610,955	$ 303,880	$ 162,812	$ 675,306	$ 5,630,074	$ 1,177,620	$ 793,917	$ 1,971,537	$ -	$ 7,601,611

See accompanying Notes to Financial Statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY
MINNESOTA CHAPTER
STATEMENT 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	Benefit to Donor Costs	Total Expenses
Salaries	$ -	$ 615,224	$ 80,238	$ 20,131	$ 199,758	$ 915,351	$ 711,591	$ 379,076	$ 1,090,667	$ -	$ 2,006,018
Employee Benefits	-	53,735	7,166	1,796	17,551	80,248	64,382	126,149	190,531	-	270,780
Payroll Taxes	-	46,298	6,143	1,486	14,822	68,749	54,236	30,269	84,505	-	153,254
Total Salaries and Related Expenses	-	715,257	93,547	23,413	232,131	1,064,348	830,209	535,494	1,365,703	-	2,430,052
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
Restricted Contribution to National for Research and Other Activities	1,220,307	679,873	-	104,569	313,936	2,318,685	-	-	-	-	2,318,685
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	7,829,811
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	$ -	$ 7,002,722

See accompanying Notes to Financial Statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY
MINNESOTA CHAPTER
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 273,736	$ 193,679
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	1,846	9,575
Unrealized and Realized (Gains) Losses	(125,901)	10,755
Deferred Compensation	29,551	13,432
Change in Value of Split Interest Agreements	(4,982)	1,158
(Increase) Decrease in Operating Assets:		
Contributions Receivable	(53,602)	12,731
Prepaid and Other Assets	(8,723)	7,221
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	183,059	(1,074)
Deferred Income	13,000	(62,882)
Grants Payable	-	(37,502)
Due to National Multiple Sclerosis Society	(27,951)	129,276
Net Cash Provided by Operating Activities	280,033	276,369
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(1,045)	-
Proceeds from Sale of Investments	615,494	688,697
Purchase of Investments	(702,045)	(835,592)
Net Cash Used by Investing Activities	(87,596)	(146,895)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Capitalized Lease Obligation	-	(7,372)
NET INCREASE IN CASH AND CASH EQUIVALENTS	192,437	122,102
Cash and Cash Equivalents - Beginning of Year	2,455,973	2,333,871
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,648,410	$ 2,455,973

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 move together toward a world free of multiple sclerosis. The Chapter helps people affected by multiple sclerosis by funding cutting-edge research, driving change through advocacy, facilitating professional education, and providing programs and services that help people with multiple sclerosis and their families move their lives forward.

The Chapter is one of a 50 state network of chapters of the National Multiple Sclerosis Society (National). Individually the financial statements of the Minnesota Chapter only present a portion of the National's operation. They include material inter-chapter income and expense, assets and liabilities, particularly between National 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.

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

Revenue Recognition and Deferred Revenue (Continued)

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. 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.

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.

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

Property and Equipment

All major expenditures for furniture, equipment, and leasehold improvements costing more than $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.

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, 2010 and 2009 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 50,000 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, 2010 and 2009 were $45,324 and $35,602, respectively.

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

Income Tax

The Chapter is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Chapter qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The Chapter's tax returns are subject to review and examination by federal, state and local authorities. The tax returns for the years 2007 to 2009 are open to examination by federal, local and state authorities.

The Chapter adopted the income tax standard for *uncertain tax positions* on September 1, 2009. The implementation of this standard had no impact on the Chapter's financial statements. The Chapter's 2006, 2007 and 2008 tax years are open for examination by the Internal Revenue Service.

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 16.

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:

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

Fair Value Measurements (Continued)

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.

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 are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level 2 – Financial assets and liabilities are valued using inputs quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. Level 2 includes private collateralized mortgage obligations, municipal bonds, and corporate debt securities.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset. Level 3 includes private equity, venture capital, hedge funds and real estate.

Subsequent Events

In preparing these financial statements, the Chapter has evaluated events and transactions for potential recognition or disclosure through December 16, 2010, 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:

	2010	2009
Money Market Funds	$ 196,320	$ 236,309
Government Securities	345,281	313,883
Flexible Annuity	181,377	155,201
Fixed Income	319,702	270,637
Equities	825,572	683,145
Commingled Funds with National (Equity, Fixed Income)	340,546	192,734
Subtotal Investments	2,208,798	1,851,909
Less: Flexible Annuity	181,377	155,201
Total	$ 2,027,421	$ 1,696,708

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:

	2010	2009
Permanently Restricted Endowment Fund Investments	$ 362,359	$ 319,859
Unrestricted Investments	1,324,516	1,184,115
Subtotal Investments - at Market	1,686,875	1,503,974
Board of Trustees Designated to Fund Deferred Compensation Plan	181,377	155,201
Total	$ 2,208,798	$ 1,851,909

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

	2010	
	Unrestricted	Temporarily Restricted
Interest and Dividend Income	$ 66,738	$ -
Unrealized Gain	100,545	-
Realized Gain	25,356	-
Total Gain from Investments	192,639	-
Interest Income	3,734	-
Total Income from Cash and Cash Equivalents	3,734	-
Total Gain from Investments and Cash and Cash Equivalents	$ 196,373	$ -

NOTE 2 INVESTMENTS (CONTINUED)

	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 Loss from Investments and Cash and Cash Equivalents	$ 50,983	$ -

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable at September 30 consist of the following:

	2010	2009
Unconditional Promises to Give from Special Events	$ 48,999	$ 50,833
Unconditional Promise to Give from Other Organizations	25,000	45,000
Healthfund of Minnesota Distribution	27,261	29,284
Sponsorships and Other Receivables	89,220	47,982
Total Contributions Receivable	190,480	173,099
Present Value Discount - (1.64% - 1.75%)	(1,080)	(1,734)
Net Contributions Receivable	$ 189,400	$ 171,365

Unconditional promises to give at September 30, 2010 and 2009 are expected to be realized in the following years:

	2010	2009
Within One Year	$ 158,480	$ 140,099
In One to Five Years	32,000	33,000
	190,480	173,099
Less: Discounts (1.64% - 1.75%)	(1,080)	(1,734)
Total	$ 189,400	$ 171,365

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, 2010 and 2009, no allowance for doubtful accounts was deemed necessary.

NOTE 4 PROPERTY AND EQUIPMENT

At September 30 property and equipment consists of the following:

	2010	2009
Furniture, Fixtures and Equipment	$ 82,692	$ 81,647
Leasehold Improvements	912,170	912,170
Total Cost Property and Equipment	994,862	993,817
Accumulated Depreciation and Amortization	(990,472)	(988,626)
Net Property and Equipment	$ 4,390	$ 5,191

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 ($920,281 and $901,114 at September 30, 2010 and 2009, 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%.

In 2010, the Chapter has been named as a 25% beneficiary in a second Charitable Lead Trust. The Trust shall distribute an amount equal to 6% of the net fair market value of the trust assets, as of the initial date (August 26, 2010), 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 6.5%.

	2010	2009
Remaining Estimated Payments	$ 77,417	$ 17,659
Present Value Discount	(19,972)	(518)
Value of Charitable Lead Trust	$ 57,445	$ 17,141

NOTE 6 DEFERRED REVENUE

Deferred revenue consists of payments received for the following purposes.

	2010	2009
Future Year Event Registrations	$ 27,640	$ 33,315
Future Year Event Contributions	39,671	20,996
Total	$ 67,311	$ 54,311

NOTE 7 NET ASSETS

Unrestricted Net Assets

National 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 Chapter has undesignated net assets available for working capital needs of $1,659,949 and $1,570,600 as of September 30, 2010 and 2009, respectively. Budgeted expenses excluding payments to National for fiscal years 2011 and 2010 total $4,933,829 and $4,414,937, respectively.

Temporarily Restricted Net Assets

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

	2010	2009
Gift Annuity Time Restriction	$ 8,088	$ 7,843
Charitable Lead Trust Time Restricted	57,445	17,141
Unexpended Purpose Restricted Contributions	152,996	120,857
Total	$ 218,529	$ 145,841

Net assets released from restriction during 2010 and 2009 totaled $16,443 and $72,212, 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:

	2010	2009
E.W. Endowment Fund	$ 65,450	$ 65,450
Joanne Levin Endowment Fund	161,909	161,909
Academic Scholarship Endowment Fund	135,000	92,500
Total	$ 362,359	$ 319,859

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 multiple sclerosis, 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 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 and has one additional option to extend for another 5 years. 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
2011	$ 129,525
2012	129,525
2013	64,763
Thereafter	-
Total	$ 323,813

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

	2010	2009
Office Rent	$ 129,525	$ 129,525
Operating Costs	69,949	67,484
Total	$ 199,474	$ 197,009

NOTE 9 EMPLOYEE BENEFIT PLANS

The Chapter maintains the following 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. This plan was discontinued March 31, 2010.

401(k) Plan: This plan began January 1, 2010. A voluntary retirement plan is offered to all eligible employees and all employees are fully vested in their contributions. The Chapter matches 100% of the first 6% of salary contributed by eligible and participating employees. The plan also allows for discretionary employer contributions. Employees are fully vested after five years of service. The total employer contribution was $74,744 for the fiscal year ended September 30, 2010.

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.

NOTE 9 EMPLOYEE BENEFIT PLANS (CONTINUED)

401(m) Plan: This is a voluntary retirement plan whereby the Chapter matched 100% of the first 6% of salary contributed by eligible and participating 403(b) employees. Employees were fully vested after five years of service. The total employer contribution was $24,525 and $86,642 for the fiscal years ended September 30, 2010 and 2009, respectively. The plan was terminated and rolled into the 401k plan January 1, 2010.

457(f) Plan: This is a non-qualified deferred compensation plan covering a prior Chapter employee. As of January 1, 2010, no employees were eligible for this plan. The plan will remain on the Chapter's statement of financial position while the employee is still employed with an affiliated entity. Balances will fluctuate in the future due to gains or losses in the investments. The total employer contribution under this plan was $3,375 and $13,432 for the fiscal years ended September 30, 2010 and 2009, 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, 2010 and 2009.

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:

	2010	2009
Program Activities	$ 233,896	$ 241,299
Fund Raising	458,368	447,325
Management and General	9,279	9,251
Total	$ 701,543	$ 697,875

NOTE 11 ALLOCATION AND CONTRIBUTIONS 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 National. The Chapter may contribute additional funds to National upon board approval. National uses these funds to finance programs at the national level, fund research, and provide services to the chapters.

	2010	2009
Required National Remittance	$ 2,548,579	$ 2,196,788
Research Gifts Received at Chapter	16,840	21,897
Honor Roll Research Gift to Promise 2010	85,991	100,000
Additional Discretionary Honor Roll Research Gift	500,000	-
Total	$ 3,151,410	$ 2,318,685

NOTE 12 FAIR VALUE MEASUREMENTS

The Chapter's assets measured on a recurring basis on September 30, 2010 as follows:

	Level 1	Level 2	Level 3	Total
Investments:				
Money Market Funds	$ 132,798	$ -	$ -	$ 132,798
Government Securities	345,281	-	-	345,281
Fixed Income	318,678	-	-	318,678
Equities	549,572	-	-	549,572
Commingled Funds with National	-	-	340,546	340,546
Charitable Lead Trusts	-	-	57,445	57,445
Flexible Annuity	181,377	-	-	181,377
Total	$ 1,527,706	$ -	$ 397,991	$ 1,925,697

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	$ -	$ -	$ 236,309
Government Securities	313,883	-	-	313,883
Fixed Income	217,834	-	-	270,637
Equities	562,565	-	-	683,145
Commingled Funds with National	-	-	192,734	192,734
Charitable Lead 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, 2010 are as follows:

	Investments	Interest in Charitable Lead Trusts	Total
Balance September 30, 2009	$ 192,734	$ 17,141	$ 209,875
Change in Value of Charitable Lead Trusts	-	1,708	1,708
Additions	115,000	54,908	169,908
Purchase of Investments	196,572	-	196,572
Proceeds from Sale of Investments	(196,572)	(16,312)	(212,884)
Change in Value of Investments	32,812	-	32,812
Balance September 30, 2010	$ 340,546	$ 57,445	$ 397,991

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

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

	Investments	Interest in Charitable Lead Trusts	Total
Balance September 30, 2008	$ 186,340	$ 46,516	$ 232,856
Change in Value of Charitable Lead 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 CONDITIONAL PROMISE TO GIVE

The Chapter's board of trustees resolved, on September 7, 2004, to participate in the National fund raising campaign, Promise 2010. As part of the Campaign, the Chapter 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. The final payment was made in 2010.

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)
Fiscal 2010	(85,991)
Remaining Conditional Promise to Give	$ -

NOTE 14 DONATED GOODS AND SERVICES

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

	2010	2009
Program Expenses:		
Client Programs	$ 89,712	$ 94,697
Direct Benefit Expense	170,872	213,781
Total Donated Goods and Services Expense	$ 260,584	$ 308,478

NOTE 15 COMMITMENT AND CONTINGENCIES

As of September 30, 2010, the Chapter has entered into several contracts with regards to future conferences and events to be held. At September 30, 2010, total commitments for future conferences and events were approximately $17,100. The amount of the Chapter's commitments concerning these contracts increases as the scheduled dates of the conferences approach.

NOTE 16 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 16 ENDOWMENTS (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	2010 Total
Endowment Investments, September 30, 2009	$ (34,125)	$ -	$ 319,859	$ 285,734
Investment Income	20,255	12,057	-	32,312
Contributions	-	-	42,500	42,500
Appropriations	-	-	-	-
Endowment Investments, September 30, 2010	$ (13,870)	$ 12,057	$ 362,359	$ 360,546

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

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 $13,870 and $34,125 as of September 30, 2010 and 2009, 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 16 ENDOWMENTS (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.