NATIONAL MULTIPLE SCLEROSIS SOCIETY
MINNESOTA CHAPTER
MINNEAPOLIS, MINNESOTA

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

NATIONAL MULTIPLE SCLEROSIS SOCIETY
MINNESOTA CHAPTER
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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, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the 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 the Chapter as of September 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

LarsonAllen LLP

LarsonAllen LLP

Minneapolis, Minnesota
December 14, 2011

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NATIONAL MULTIPLE SCLEROSIS SOCIETY
MINNESOTA CHAPTER
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2011 AND 2010

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 2,679,266	$ 2,648,410
Investments - at Market	1,686,570	1,686,875
Contributions Receivable	212,499	158,480
Prepaid Expenses and Other Assets	40,456	25,784
Total Current Assets	4,618,791	4,519,549
NONCURRENT ASSETS		
Contributions Receivable - Long-Term	70,361	30,920
Due from National Multiple Sclerosis Society	18,921	8,088
Due from Other Chapters	3,956	5,456
Property and Equipment, at Cost, Net of Accumulated Depreciation and Amortization	70,973	4,390
Charitable Lead Trust	52,033	57,445
Investments - Designated for Deferred Compensation	177,448	181,377
Total Noncurrent Assets	393,692	287,676
Total Assets	$ 5,012,483	$ 4,807,225
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Due to National Multiple Sclerosis Society	$ 95,379	$ 217,833
Due to Other Chapters	-	15,084
Accounts Payable and Accrued Expenses	574,516	552,893
Grants Payable	40,000	27,500
Deferred Revenue	82,404	67,311
Total Current Liabilities	792,299	880,621
LONG-TERM LIABILITIES		
Deferred Compensation	177,448	181,377
Total Liabilities	969,747	1,061,998
NET ASSETS		
Unrestricted:		
Net Investment in Property and Equipment	70,973	4,390
Designated - Strategic Initiative	1,000,000	1,500,000
Undesignated - Working Capital	2,228,967	1,659,949
Total Unrestricted	3,299,940	3,164,339
Temporarily Restricted	317,136	218,529
Permanently Restricted	425,660	362,359
Total Net Assets	4,042,736	3,745,227
Total Liabilities and Net Assets	$ 5,012,483	$ 4,807,225

See accompanying Notes to Financial Statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY
MINNESOTA CHAPTER
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC REVENUE AND SUPPORT				
Received Directly:				
Special Events (Includes In-Kind Donations of $208,163 in 2011 and $170,872 in 2010)	$ 7,199,467	$ -	$ -	$ 7,199,467
Less: Benefit to Donor Costs	(1,010,758)	-	-	(1,010,758)
Net Special Events Revenue	6,188,709	-	-	6,188,709
Membership and Contributions (Includes In-Kind Donations of $100,553 in 2011 and $89,712 in 2010)	1,090,839	119,291	63,301	1,273,431
Legacies: Received by Chapter	86,987	-	-	86,987
Received at National (Other than Legacies)	106,866	-	-	106,866
Total Received Directly	7,473,401	119,291	63,301	7,655,993
Received Indirectly:				
Health Fund of Minnesota	95,510	-	-	95,510
Total Revenue from the Public	7,568,911	119,291	63,301	7,751,503
Other Revenue:				
Investment Income	12,088	(1,698)	-	10,390
Split Interest Agreement	(1,167)	-	-	(1,167)
Service Program Fees	43,482	-	-	43,482
Total Other Revenue	54,403	(1,698)	-	52,705
Net Assets Released from Restrictions	18,986	(18,986)	-	-
Total Public Revenue and Support	7,642,300	98,607	63,301	7,804,208
EXPENSES				
Program Services:				
Research	1,392,222	-	-	1,392,222
Client Programs	2,946,163	-	-	2,946,163
Community Programs	262,011	-	-	262,011
Professional Education and Training	98,916	-	-	98,916
Public Education	702,741	-	-	702,741
Total Program Services	5,402,053	-	-	5,402,053
Supporting Services:				
Fund Raising	1,454,541	-	-	1,454,541
Management and General	650,105	-	-	650,105
Total Supporting Services	2,104,646	-	-	2,104,646
Total Expenses	7,506,699	-	-	7,506,699
CHANGE IN NET ASSETS	135,601	98,607	63,301	297,509
Net Assets - Beginning of Year	3,164,339	218,529	362,359	3,745,227
NET ASSETS - END OF YEAR	$ 3,299,940	$ 317,136	$ 425,660	$ 4,042,736

See accompanying Notes to Financial Statements.

2010			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 6,659,305	$ -	$ -	$ 6,659,305
(835,393)	-	-	(835,393)
5,823,912	-	-	5,823,912
793,360	89,131	42,500	924,991
665,806	-	-	665,806
111,961	-	-	111,961
7,395,039	89,131	42,500	7,526,670
92,024	-	-	92,024
7,487,063	89,131	42,500	7,618,694
196,373	-	-	196,373
246	-	-	246
60,034	-	-	60,034
256,653	-	-	256,653
16,443	(16,443)	-	-
7,760,159	72,688	42,500	7,875,347
1,877,121	-	-	1,877,121
2,610,955	-	-	2,610,955
303,880	-	-	303,880
162,812	-	-	162,812
675,306	-	-	675,306
5,630,074	-	-	5,630,074
1,177,620	-	-	1,177,620
793,917	-	-	793,917
1,971,537	-	-	1,971,537
7,601,611	-	-	7,601,611
158,548	72,688	42,500	273,736
3,005,791	145,841	319,859	3,471,491
$ 3,164,339	$ 218,529	$ 362,359	$ 3,745,227

NATIONAL MULTIPLE SCLEROSIS SOCIETY
MINNESOTA CHAPTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2011

	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	Total Programs and Support	Benefit to Donor Costs	Total Expenses
Salaries	$ -	$ 762,377	$ 43,319	$ 6,427	$ 267,544	$ 1,079,667	$ 880,930	$ 244,040	$1,124,970	$ 2,204,637	$ -	$ 2,204,637
Employee Benefits	-	61,043	3,561	528	16,884	82,016	72,601	115,713	188,314	270,330	-	270,330
Payroll Taxes	-	56,696	3,177	471	21,345	81,689	60,876	18,221	79,097	160,786	-	160,786
Total Salaries and Related Expenses	-	880,116	50,057	7,426	305,773	1,243,372	1,014,407	377,974	1,392,381	2,635,753	-	2,635,753
Printing and Artwork	-	49,645	490	1,099	19,517	70,751	39,564	2,038	41,602	112,353	-	112,353
Postage and Shipping	-	11,837	406	1,276	13,141	26,660	26,311	3,632	29,943	56,603	-	56,603
Telephone	-	7,733	1,083	2,346	408	11,570	8,474	2,755	11,229	22,799	-	22,799
Office Supplies	-	25,138	655	1,904	4,291	31,988	14,820	5,800	20,620	52,608	-	52,608
Dues and Memberships	-	1,675	2,204	4	1,089	4,972	2,215	598	2,813	7,785	-	7,785
Professional Fees	-	208,794	14,945	5,592	10,447	239,778	56,985	38,655	95,640	335,418	-	335,418
Travel	-	25,151	2,341	4,003	11,395	42,890	27,867	5,555	33,422	76,312	287,425	363,737
Meetings	-	192,855	4,031	4,805	3,500	205,191	26,550	7,073	33,623	238,814	411,795	650,609
Occupancy	-	75,741	7,743	28,185	2,929	114,598	111,475	53,567	165,042	279,640	-	279,640
Furniture and Equipment	-	11,152	1,277	4,533	392	17,354	16,852	3,718	20,570	37,924	-	37,924
Insurance (Property and Casualty)	-	9,759	1,113	2,961	2,012	15,845	14,410	3,464	17,874	33,719	-	33,719
Awards and Grants to Individuals and Other Orgs	-	98,497	164,907	-	-	263,404	-	-	-	263,404	-	263,404
Disbursements Made on Behalf of People with MS	-	523,859	-	-	-	523,859	-	-	-	523,859	-	523,859
Miscellaneous	-	1,716	52	6	21,851	23,625	7,482	141,776	149,258	172,883	68,293	241,176
Contract Wages	-	196	10,322	3	9,285	19,806	9,548	1,068	10,616	30,422	-	30,422
Advertising	-	-	-	-	5,235	5,235	70,490	-	70,490	75,725	-	75,725
Depreciation	-	4,468	385	1,192	666	6,711	6,450	2,432	8,882	15,593	-	15,593
Prizes and Promotional Items	-	-	-	-	-	-	641	-	641	641	243,245	243,886
Restricted Contribution to National for Research and Other Activities	1,392,222	817,831	-	33,581	290,810	2,534,444	-	-	-	2,534,444	-	2,534,444
Total Expenses	1,392,222	2,946,163	262,011	98,916	702,741	5,402,053	1,454,541	650,105	2,104,646	7,506,699	1,010,758	8,517,457
Less: Direct Benefit to Donor Costs	-	-	-	-	-	-	-	-	-	-	(1,010,758)	(1,010,758)
Total Expenses	$1,392,222	$2,946,163	$ 262,011	$ 98,916	$ 702,741	$ 5,402,053	$1,454,541	$ 650,105	$2,104,646	$ 7,506,699	$ -	$ 7,506,699

See accompanying Notes to Financial Statements.

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	Total Programs and Support	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	$ -	$1,896,176
Employee Benefits	-	43,910	5,509	1,626	13,069	64,114	62,544	122,982	185,526	249,640	-	249,640
Payroll Taxes	-	44,605	4,820	1,344	14,939	65,708	56,104	34,325	90,429	156,137	-	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	-	2,301,953
Printing and Artwork	-	43,381	1,148	41	20,898	65,468	48,546	3,507	52,053	117,521	-	117,521
Postage and Shipping	-	15,334	352	738	11,587	28,011	22,918	3,641	26,559	54,570	-	54,570
Telephone	-	6,628	862	254	1,593	9,337	4,459	2,343	6,802	16,139	-	16,139
Office Supplies	-	26,415	1,086	87	3,526	31,114	13,662	6,030	19,692	50,806	-	50,806
Dues and Memberships	-	1,577	2,012	-	436	4,025	1,214	776	1,990	6,015	-	6,015
Professional Fees	-	170,945	33,151	3,036	8,440	215,572	29,017	43,941	72,958	288,530	-	288,530
Travel	-	11,962	5,930	7	8,016	25,915	16,105	4,829	20,934	46,849	275,050	321,899
Meetings	-	188,293	1,912	418	2,906	193,529	21,242	12,473	33,715	227,244	322,537	549,781
Occupancy	-	78,809	7,696	2,145	21,797	110,447	74,881	72,899	147,780	258,227	-	258,227
Furniture and Equipment	-	21,132	1,442	429	4,891	27,894	40,364	6,701	47,065	74,959	-	74,959
Insurance (Property and Casualty)	-	12,498	1,337	392	6,527	20,754	18,681	6,110	24,791	45,545	-	45,545
Awards and Grants to Individuals and Other Orgs	-	100,000	170,000	-	-	270,000	-	-	-	270,000	-	270,000
Disbursements Made on Behalf of People with MS	-	470,793	-	-	-	470,793	-	-	-	470,793	-	470,793
Miscellaneous	-	651	43	1	7,930	8,625	17,528	122,082	139,610	148,235	53,585	201,820
Contract Wages	-	-	3,845	-	10,425	14,270	11,024	-	11,024	25,294	-	25,294
Advertising	-	-	-	-	-	-	45,324	-	45,324	45,324	-	45,324
Depreciation	-	482	11	3	37	533	1,085	228	1,313	1,846	-	1,846
Prizes and Promotional Items	-	-	-	-	-	-	350	-	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	-	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	7,601,611	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	$ -	$7,601,611

See accompanying Notes to Financial Statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY
MINNESOTA CHAPTER
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 297,509	$ 273,736
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	15,593	1,846
Unrealized and Realized (Gains) Losses	51,800	(125,901)
Deferred Compensation	-	29,551
Change in Value of Split Interest Agreements	-	(4,982)
(Increase) Decrease in Operating Assets:		
Contributions Receivable	(86,881)	(53,602)
Prepaid and Other Assets	(14,672)	(8,723)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	8,039	183,059
Deferred Income	15,093	13,000
Grants Payable	12,500	-
Due to National Multiple Sclerosis Society	(134,454)	(27,951)
Net Cash Provided by Operating Activities	164,527	280,033
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(82,176)	(1,045)
Proceeds from Sale of Investments	835,898	615,494
Purchase of Investments	(887,393)	(702,045)
Net Cash Used by Investing Activities	(133,671)	(87,596)
NET INCREASE IN CASH AND CASH EQUIVALENTS	30,856	192,437
Cash and Cash Equivalents - Beginning of Year	2,648,410	2,455,973
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,679,266	$ 2,648,410

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. 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 at times may exceed 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, 2011 and 2010 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, 2011 and 2010 were $75,725 and $45,324, 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 follows the income tax standard for evaluating uncertain tax positions. The Chapter is not aware of any uncertain tax positions it has taken. The Chapter's 2008, 2009 and 2010 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

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

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 Measurements (Continued)

Financial assets and liabilities recorded on the statement of financial position 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 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.

Subsequent Events

In preparing these financial statements, the Chapter has evaluated events and transactions for potential recognition or disclosure through December 14, 2011, 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:

	2011	2010
Money Market Funds	$ 139,911	$ 110,331
Common Equity	1,045,049	1,093,662
Mutual Funds	254,887	238,956
Preferred Equity	2,852	3,034
Asset Backed Securities	190,634	160,120
US Government Securities	135,183	180,379
Fixed Income	78,155	80,746
Broad Commodities	17,347	1,024
Subtotal Investments	1,864,018	1,868,252
Less: Flexible Annuity	(177,448)	(181,377)
Total	$ 1,686,570	$ 1,686,875

NOTE 2 INVESTMENTS (CONTINUED)

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 of September 30 as follows:

	2011	2010
Permanently Restricted Endowment Fund Investments	$ 425,660	$ 362,359
Unrestricted Investments	1,260,910	1,324,516
Subtotal Investments - at Market	1,686,570	1,686,875
Board of Trustees Designated to Fund Deferred Compensation Plan	177,448	181,377
Total	$ 1,864,018	$ 1,868,252

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

	2011	
	Unrestricted	Temporarily Restricted
Interest and Dividend Income	$ 56,943	$ 2,698
Unrealized Gain (Loss)	(103,446)	(10,056)
Realized Gain	56,042	5,660
Total Gain from Investments	9,539	(1,698)
Interest Income	2,549	-
Total Income from Cash and Cash Equivalents	2,549	-
Total Gain from Investments and Cash and Cash Equivalents	$ 12,088	$ (1,698)

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

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable at September 30 consist of the following:

	2011	2010
Unconditional Promises to Give from Special Events	$ 74,057	$ 48,999
Unconditional Promise to Give from Other Organizations	25,000	25,000
Healthfund of Minnesota Distribution	26,894	27,261
Sponsorships and Other Receivables	159,548	89,220
Total Contributions Receivable	285,499	190,480
Present Value Discount - (0.81% - 1.64%)	(2,639)	(1,080)
Net Contributions Receivable	$ 282,860	$ 189,400

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

	2010	2009
Within One Year	$ 212,499	$ 158,480
In One to Five Years	73,000	32,000
	285,499	190,480
Less: Discounts (0.81% - 1.64%)	(2,639)	(1,080)
Total	$ 282,860	$ 189,400

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, 2011 and 2010, no allowance for doubtful accounts was deemed necessary.

NOTE 4 PROPERTY AND EQUIPMENT

At September 30 property and equipment consists of the following:

	2011	2010
Furniture, Fixtures and Equipment	$ 149,670	$ 82,692
Leasehold Improvements	927,369	912,170
Total Cost Property and Equipment	1,077,039	994,862
Accumulated Depreciation and Amortization	(1,006,066)	(990,472)
Net Property and Equipment	$ 70,973	$ 4,390

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 ($439,306 and $920,281 at September 30, 2011 and 2010, 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%. As of September 30, 2011 no interest in this trust is reflected below as the trust has terminated under terms of the trust agreement.

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%.

	2011	2010
Remaining Estimated Payments	$ 69,139	$ 77,417
Present Value Discount	(17,106)	(19,972)
Value of Charitable Lead Trust	$ 52,033	$ 57,445

NOTE 6 DEFERRED REVENUE

Deferred revenue as of September 30 consists of payments received for the following purposes.

	2011	2010
Future Year Event Registrations	$ 28,445	$ 27,640
Future Year Event Contributions	53,959	39,671
Total	$ 82,404	$ 67,311

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 $2,327,102 and $1,659,949 as of September 30, 2011 and 2010, respectively.

Temporarily Restricted Net Assets

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

	2011	2010
Gift Annuity Time Restriction	$ 105,249	$ 8,088
Charitable Lead Trust Time Restricted	52,033	57,445
Unexpended Purpose Restricted Contributions	159,854	152,996
Total	$ 317,136	$ 218,529

Net assets released from restriction during 2011 and 2010 totaled $18,986 and $16,443, 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:

	2011	2010
E.W. Endowment Fund	$ 65,450	$ 65,450
Joanne Levin Endowment Fund	162,210	161,909
Academic Scholarship Endowment Fund	198,000	135,000
Total	$ 425,660	$ 362,359

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
2012	$ 129,525
2013	64,763
Total	$ 194,288

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

	2011	2010
Office Rent	$ 129,525	$ 129,525
Operating Costs	72,840	69,949
Total	$ 202,365	$ 199,474

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 $104,598 and $74,744 for the years ended September 30, 2011 and 2010, respectively.

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 $0 and $24,525 for the fiscal years ended September 30, 2011 and 2010, 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 current 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 $-0- and $3,375 for the fiscal years ended September 30, 2011 and 2010, 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, 2011 and 2010.

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:

	2011	2010
Program Activities	$ 248,920	$ 233,896
Fund Raising	459,850	458,368
Management and General	20,666	9,279
Total	$ 729,436	$ 701,543

NOTE 11 ALLOCATION AND CONTRIBUTIONS TO NATIONAL

In January 2010, National approved a change in the policy for calculating each chapter's national program expense effective with fiscal year 2011. This change was approved to simplify the formula, to reduce redundancies, internal reconciliations and billings, and to improve budgeting and planning. Under the new policy, National calculates the national program expense for each chapter in advance of the fiscal year after a complete review of its budget by the budget review committee and the national board. The Chapter's share of national program expense will be calculated using the average of the previous two year's audited results as the revenue base. The remittance percentage is subject to adjustment each year to ensure that National meets its programmatic goals and that all donor restrictions are honored. In FY 2011, the Chapter's national program expense under the new policy was calculated to be $2,284,444. By setting the Chapter's national program expense in advance, the chapters and the national organization are in a better position to manage resources through their respective budgeting and planning processes. In FY 2010 the Chapter's required national remittance was $2,548,579.

In addition to the fixed amount of national program expense for FY 2011, the Chapter made an additional contribution to National in the amount of $250,000 which was earmarked for research. This amount is reflected in the contribution to national expense in the accompanying statement of activities.

NOTE 12 FAIR VALUE MEASUREMENTS

The Chapter's assets measured on a recurring basis on September 30, 2011 and 2010 are as follows:

	Level 1	Level 2	Level 3	Total
Investments				
Money Market Funds	$ 69,709	$ -	$ 70,202	$ 139,911
Common Equity	874,461	-	170,588	1,045,049
Mutual Funds	254,887	-	-	254,887
Preferred Equity	2,852	-	-	2,852
Asset Backed Securities	190,634	-	-	190,634
US Government Securities	135,183	-	-	135,183
Fixed Income	-	-	78,155	78,155
Broad Commodities	-	-	17,347	17,347
Charitable Lead Trust	-	-	52,033	52,033
Total	$ 1,527,726	$ -	$ 388,325	$ 1,916,051

	Level 1	Level 2	Level 3	Total
Investments				
Money Market Funds	$ 46,806	$ -	$ 63,525	$ 110,331
Common Equity	898,411	-	195,251	1,093,662
Mutual Funds	238,956	-	-	238,956
Preferred Equity	3,034	-	-	3,034
Asset Backed Securities	160,120	-	-	160,120
US Government Securities	180,379	-	-	180,379
Fixed Income	-	-	80,746	80,746
Broad Commodities	-	-	1,024	1,024
Charitable Lead Trust	-	-	57,445	57,445
Total	$ 1,527,706	$ -	$ 397,991	$ 1,925,697

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

Changes in valuation of Level 3 financial instruments for the year ended September 30, 2011 are as follows:

	Investments	Interest in Charitable Lead Trusts	Total
Balance September 30, 2010	$ 340,546	$ 57,445	$ 397,991
Net Realized and Unrealized Gains	(12,957)	-	(12,957)
Change in Value of Outside Trusts	-	(5,412)	(5,412)
Purchase of Investments	177,820	-	177,820
Sale of Investments	(169,117)	-	(169,117)
Balance September 30, 2011	$ 336,292	$ 52,033	$ 388,325

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
Change in Value of Flexible Annuity	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 13 DONATED GOODS AND SERVICES

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

	2011	2010
Program Expenses:		
Client Programs	$ 100,553	$ 89,712
Direct Benefit Expense	208,163	170,872
Total Donated Goods and Services Expense	$ 308,716	$ 260,584

NOTE 14 COMMITMENT AND CONTINGENCIES

As of September 30, 2011, the Chapter has entered into several contracts with regards to future conferences and events to be held. At September 30, 2011, total commitments for future conferences and events were approximately $19,600. The amount of the Chapter's commitments concerning these contracts increases as the scheduled dates of the conferences approach.

NOTE 15 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 15 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	2011 Total
Endowment Investments, September 30, 2010	$ (13,870)	$ 12,057	$ 362,359	$ 360,546
Investment Income	(2,858)	(1,698)	-	(4,556)
Contributions	-	-	63,301	63,301
Appropriations	-	-	-	-
Endowment Investments, September 30, 2011	$ (16,728)	$ 10,359	$ 425,660	$ 419,291

	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

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 $16,728 and $13,870 as of September 30, 2011 and 2010, respectively. These deficiencies resulted from unfavorable market fluctuations.

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 15 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.

NOTE 16 SUBSEQUENT EVENT

On October 1, 2011, the Minnesota and the North Central States chapters of the National Multiple Sclerosis Society joined together to form the new Upper Midwest Chapter. The new chapter serves 17,000 people with MS in North Dakota, South Dakota, Minnesota, Iowa, four counties in Wisconsin and one county in Nebraska.