## FINANCIAL STATEMENTS SEPTEMBER 30, 2011 AND 2010

WITH INDEPENDENT AUDITOR'S REPORT



Harris W. Widmer Charles E. Nord Stanley N. Sandvik Terrence P. Delaney Robert D. Dale Michael T. Schmitz Tracee S. Buethner

#### INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees National Multiple Sclerosis Society North Central States Chapter Fargo, North Dakota

We have audited the accompanying statements of financial position of the National Multiple Sclerosis Society North Central States Chapter, a not-for-profit organization, 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 National Multiple Sclerosis Society North Central States 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. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Chapter's internal control over financial reporting. Accordingly, we express no such opinion. 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 **National Multiple Sclerosis Society North Central States Chapter** as of September 30, 2011 and 2010, and the changes in its net assets, its cash flows, and its functional expenses for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Fargo, North Dakota December 28, 2011

Widmer Roel PC



## BOARD OF TRUSTEES SEPTEMBER 30, 2011

| NAME                  | POSITION         |
|-----------------------|------------------|
| N.C.1 . XVII. itanaan | Chairperson      |
| Mike Whitmer          | Vice Chairperson |
| Steve Dirksen         |                  |
| Mark Jackson          | Secretary        |
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| Dr. Scott Munsinger   | Trustee          |
| Shelly Richard        | Trustee          |
| Kelli Winchester      | Trustee          |

## STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2011 AND 2010

| ASSETS                                     | _               | 2011    | -    | 2010     |
|--|-----------------|---------|------|----------|
| CURRENT ASSETS                             | Φ               | 201.002 | Ф    | 261 920  |
| Cash and cash equivalents                  | \$              | 391,902 | \$   | 361,829  |
| Receivables                                |                 | 14046   |      | 13,220   |
| Contributions receivable                   |                 | 14,046  |      | 13,220   |
| Gaming inventory, at cost                  |                 | 1,628   |      | 22,638   |
| Prepaid expenses                           |                 | 23,052  |      | 6,070    |
| Other assets                               | 2               | 5,525   | -    | 0,070    |
| Total current assets                       | 2. <del>5</del> | 436,153 | -    | 403,757  |
| PROPERTY AND EQUIPMENT, net                | 04              | 12,584  |      | 25,249   |
| Total assets                               | \$ .            | 448,737 | \$ . | 429,006  |
| LIABILITIES AND NET ASSETS                 |                 |         |      |          |
| LIABILITIES                                |                 |         |      |          |
| Due to National Multiple Sclerosis Society |                 |         | Φ.   | 400 110  |
| Program expense                            | \$              | 44,059  | \$   | 420,119  |
| Other payables to National                 |                 | 4,816   |      | 2,983    |
| Due to other Chapters                      |                 | 3,956   |      | 5,456    |
| Accounts payable and accrued expenses      |                 | 60,181  |      | 86,717   |
| Deferred revenue                           | ,               | 1,030   |      | 4,150    |
| Total liabilities                          | 3               | 114,042 |      | 519,425  |
| NET ASSETS                                 |                 |         |      |          |
| Unrestricted                               |                 | 329,476 |      | (90,419) |
| Temporarily restricted                     |                 | 5,219   |      |          |
| Total net assets                           |                 | 334,695 |      | (90,419) |
| Total liabilities and net assets           | \$              | 448,737 | \$   | 429,006  |

## STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

|   |    |                     |    | 2011                      |     |                       |    | 2010                   |
|---|----|---------------------|----|---------------------------|-----|-----------------------|----|------------------------|
|   |    | Unrestricted        |    | Temporarily<br>Restricted |     | Total                 |    | Unrestricted           |
| PUBLIC SUPPORT  |    |                     |    |                           |     |                       |    |                        |
| Received directly   |    |                     |    |                           |     |                       |    |                        |
| Special events, includes in-kind donations                | Φ. | 1 104 267           | Ф  |                           | ¢.  | 1 104 267             | \$ | 1 204 200              |
| of \$3,536 in 2011 and \$17,218 in 2010                   | \$ |                     | \$ | -                         | \$  | 1,194,367<br>(98,318) | Ф  | 1,384,289<br>(113,074) |
| Less benefit to donor costs  Membership and contributions |    | (98,318)<br>348,438 |    | 7,661                     |     | 356,099               |    | 332,122                |
| Gaming, net of expenses of \$172,966 in 2011              |    | 340,430             |    | 7,001                     |     | 330,077               |    | 332,122                |
| and \$203,216 in 2010                                     |    | 73,422              |    | 2                         |     | 73,422                |    | 51,641                 |
| Bequests  |    | 56,130              |    | 2                         |     | 56,130                |    | 52,387                 |
| Received at National                                      |    | 54,390              |    | <u> </u>                  | 0.0 | 54,390_               |    | 59,860_                |
|   |    | 1 (22 122           |    | 7.661                     |     | 1 (2( 000             |    | 1 7/7 005              |
| Total direct support                                      |    | 1,628,429           |    | 7,661                     | 10  | 1,636,090             |    | 1,767,225              |
| Received indirectly                                       |    |                     |    |                           |     |                       |    |                        |
| Federated fund raising organizations                      |    | 17,468              |    |                           | 12  | 17,468_               |    | 24,374                 |
| OTHER REVENUE   |    |                     |    |                           |     |                       |    |                        |
| Investment income   |    | 1                   |    | ¥                         |     | 1                     |    | (#0)                   |
| Service program fees                                      |    | 300                 |    | *                         |     | 300                   |    | 1,795                  |
| Miscellaneous income                                      |    | 26,748              |    |                           |     | 26,748                |    | 37,535                 |
|   |    |                     |    |                           |     |                       |    | 20.220                 |
| Total other revenue                                       |    | 27,049              |    |                           |     | 27,049                |    | 39,330                 |
| Net assets released from restriction                      |    | 2,442_              |    | (2,442)                   |     |                       |    |                        |
| Total revenue   |    | 1,675,388           |    | 5,219                     |     | 1,680,607             |    | 1,830,929              |
| EXPENSES  |    |                     |    |                           |     |                       |    |                        |
| Program services  |    |                     |    |                           |     |                       |    |                        |
| Research  |    | 291,604             |    | <del></del>               |     | 291,604               |    | 299,033                |
| Public Support to National                                |    | 259,310             |    | 2                         |     | 259,310               |    | 246,195                |
| Client programs   |    | 354,917             |    | <u>=</u>                  |     | 354,917               |    | 409,180                |
| Community programs  |    | 246,735             |    | 22                        |     | 246,735               |    | 277,716                |
| Professional education and training                       |    | 81,209              |    | *                         |     | 81,209<br>109,517     |    | 91,005<br>125,590      |
| Public education  |    | 109,517             |    | <del> </del>              |     | 109,317               |    | 123,390                |
| Total program services                                    |    | 1,343,292           |    | <del></del>               |     | 1,343,292             |    | 1,448,719              |
| Supporting services                                       |    |                     |    |                           |     |                       |    |                        |
| Fundraising   |    | 211,846             |    | ~                         |     | 211,846               |    | 253,343                |
| Management and general                                    |    | 87,064              |    |                           |     | 87,064                |    | 101,103                |
| Total supporting services                                 |    | 298,910             |    |                           |     | 298,910               |    | 354,446                |
| Total expenses  |    | 1,642,202           |    |                           |     | 1,642,202             |    | 1,803,165              |

## STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

|  |              |                        | 2010      |               |
|--|--------------|------------------------|-----------|---------------|
|  | Unrestricted | Temporarily Restricted | Total     | Unrestricted  |
| CHANGE IN NET ASSETS BEFORE EXTRAORDINARY ITEM | 33,186       | 5,219                  | 38,405    | 27,764        |
| Debt forgiveness                               | 386,709      |                        | 386,709   | - 146<br>- 14 |
| CHANGE IN NET ASSETS                           | 419,895      | 5,219                  | 425,114   | 27,764        |
| NET ASSETS, BEGINNING OF YEAR                  | (90,419)     | <u> </u>               | (90,419)  | (118,183)     |
| NET ASSETS, END OF YEAR                        | \$329,476_   | \$5,219                | \$334,695 | \$(90,419)    |

## STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED SEPTEMBER 30, 2011

|   |                  |       | P                      | rogi | ram Activities     |    |                       |      |   |
|---|------------------|-------|------------------------|------|--------------------|----|-----------------------|------|---|
| ,                                       | Research         | 7     | National<br>Activities | -    | Client<br>Programs |    | Community<br>Programs | ]    | rofessional<br>Education<br>nd Training |
| Salaries                                | \$ =             | \$    | 72                     | \$   | 119,754            | \$ | 140,580               | \$   | 46,860                                  |
| Employee benefits                       |                  |       | U#1:                   |      | 7,741              |    | 9,087                 |      | 3,029                                   |
| Payroll taxes                           |                  | -     |                        | -    | 10,222             | :5 | 12,000                | -    | 4,000                                   |
| Total salaries and related expenses     |                  |       | <u> </u>               | =    | 137,717            | -0 | 161,667               | -    | 53,889                                  |
| Printing                                | <b>(5</b> 0)     |       | 4                      |      | 1,048              |    | 1,101                 |      | 344                                     |
| Postage and shipping                    |                  |       | 21                     |      | 3,889              |    | 1,078                 |      | 381                                     |
| Telephone                               | 5 <b>€</b> /-    |       | <b>₹</b> 5             |      | 6,028              |    | 3,189                 |      | 1,007                                   |
| Supplies                                | ( <del>-</del> ) |       | *                      |      | 5,752              |    | 1,577                 |      | 523                                     |
| Dues and memberships                    | <b>3</b>         |       | <b>=</b>               |      | 398                |    | 384                   |      | 116                                     |
| Professional and contract service fees  | :53              |       | 9                      |      | 91,654             |    | 16,875                |      | 7,195                                   |
| Travel                                  | (#C)             |       | Ħ                      |      | 10,967             |    | 10,705                |      | 1,825                                   |
| Meetings                                | 720              |       | #                      |      | 8,844              |    | 6,461                 |      | 1,362                                   |
| Occupancy                               | 250              |       | 3                      |      | 23,251             |    | 27,295                |      | 9,098                                   |
| Furniture and equipment                 | 3.83             |       | a                      |      | 7,487              |    | 8,789                 |      | 2,930                                   |
| Insurance (property and casualty)       |                  |       | *                      |      | 3,273              |    | 3,842                 |      | 1,281                                   |
| Direct financial support                | <b>%</b>         |       | 2                      |      | 51,396             |    | 988                   |      | F:                                      |
| Prizes and promotional items            |                  |       |                        |      | 88                 |    | 104                   |      | 35                                      |
| Miscellaneous expense                   | ( <del>-</del>   |       | -                      |      | 1,598              |    | 1,875                 |      | 625                                     |
| Depreciation                            | % <u>~</u> V     |       | 2                      |      | 1,527              |    | 1,793                 |      | 598                                     |
| Restricted contributions to National    |                  |       |                        |      |                    |    |                       |      |   |
| for research and other activities       | (809)            |       | 2                      |      | £                  |    | (4)                   |      | 24                                      |
| Functionalized National program expense | 292,413          | e - 7 |                        | 312  | *                  |    |                       | 00-  |   |
| Total expenses before public            |                  |       |                        |      |                    |    |                       |      |   |
| support to National                     | 291,604          |       |                        | 23   | 354,917            |    | 246,735               | _    | 81,209                                  |
| Public support to National              | *                |       | 259,310                |      | 2                  |    |                       | -    |   |
| Total expenses                          | \$ 291,604       | \$ .  | 259,310                | \$   | 354,917            | \$ | 246,735               | \$ _ | 81,209                                  |
| Less direct benefit to donor costs      |                  |       |                        |      |                    |    |                       |      |   |
| Total expenses                          |                  |       |                        |      |                    |    |                       |      |   |
| Expense total                           | 18%              |       | 16%                    |      | 22%                |    | <u>15%</u>            | =    | 5%                                      |

| I   | rogram Activi       | ities (        | continued) |                | Supportin   | g Se | rvices                                  |                            |     |                        |                |                |
|-----|---------------------|----------------|------------|----------------|-------------|------|---|----------------------------|-----|------------------------|----------------|----------------|
| S=  | Public<br>Education |                | Total      | ) <del>-</del> | Fundraising | 9    | Management and General                  | Total Programs and Support |     | Benefit to Donor Costs | -              | Grand<br>Total |
| \$  | 62,480              | \$             | 369,674    | \$             | 98,927      | \$   | 52,067                                  | \$<br>520,668              | \$  | 2                      | \$             | 520,668        |
| Ψ   | 4,039               | Ψ              | 23,896     | 4              | 6,395       | -    | 3,366                                   | 33,657                     |     | 9                      |                | 33,657         |
| (i) | 5,333               |                | 31,555     |                | 8,444       |      | 4,444                                   | 44,443                     | 1/2 | -                      | -              | 44,443         |
|     | 71,852              |                | 425,125    |                | 113,766     |      | 59,877                                  | 598,768                    |     | <u> </u>               | _              | 598,768        |
|     | 4,784               |                | 7,277      |                | 8,478       |      | 267                                     | 16,022                     |     | *                      |                | 16,022         |
|     | 394                 |                | 5,742      |                | 11,612      |      | 276                                     | 17,630                     |     | 6 <u>4</u>             |                | 17,630         |
|     | 1,343               |                | 11,567     |                | 2,841       |      | 1,119                                   | 15,527                     |     | ie.                    |                | 15,527         |
|     | 1,188               |                | 9,040      |                | 1,676       |      | 581                                     | 11,297                     |     | 7,849                  |                | 19,146         |
|     | 155                 |                | 1,053      |                | 246         |      | 129                                     | 1,428                      |     | <b>(¥</b> 5            |                | 1,428          |
|     | 7,437               |                | 123,161    |                | 13,213      |      | 6,197                                   | 142,571                    |     | ~                      |                | 142,571        |
|     | 2,367               |                | 25,864     |                | 9,960       |      | 1,972                                   | 37,796                     |     | 33,854                 |                | 71,650         |
|     | 575                 |                | 17,242     |                | 4,968       |      | 462                                     | 22,672                     |     | 1,449                  |                | 24,121         |
|     | 12,131              |                | 71,775     |                | 19,208      |      | 10,109                                  | 101,092                    |     | 3,452                  |                | 104,544        |
|     | 3,906               |                | 23,112     |                | 6,185       |      | 3,255                                   | 32,552                     |     | <b>=</b> X             |                | 32,552         |
|     | 1,708               |                | 10,104     |                | 2,704       |      | 1,423                                   | 14,231                     |     | 5 <b>9</b> .6          |                | 14,231         |
|     | 1,700               |                | 51,396     |                | it.         |      | ·                                       | 51,396                     |     | ( <b>2</b> )           |                | 51,396         |
|     | 46                  |                | 273        |                | 73          |      | 38                                      | 384                        |     | 47,187                 |                | 47,571         |
|     | 834                 |                | 4,932      |                | 15,654      |      | 695                                     | 21,281                     |     | 4,526                  |                | 25,807         |
|     | 797                 |                | 4,715      |                | 1,262       |      | 664                                     | 6,641                      |     | 1961                   |                | 6,641          |
|     | 뒽                   |                | (809)      |                | <b></b> 0   |      | *                                       | (809)                      |     | : <b>5</b> :           |                | (809)          |
|     |                     | -              | 292,413    |                | <u> </u>    | =    | = | 292,413                    | į   |                        | -              | 292,413        |
|     | 109,517             | ; <del>.</del> | 1,083,982  |                | 211,846     | 9    | 87,064                                  | 1,382,892                  |     | 98,317                 |                | 1,481,209      |
|     |                     | 2              | 259,310    | 2              |             | 13   |   | 259,310                    | ,   | F2//                   | s <del>-</del> | 259,310        |
| \$  | 109,517             | \$ _           | 1,343,292  | \$ =           | 211,846     | \$   | 87,064                                  | \$<br>1,642,202            | \$  | 98,317                 | \$             | 1,740,519      |
|     |                     |                |            |                |             |      |   |                            |     |                        |                | (98,317)       |
|     |                     |                |            |                |             |      |   |                            |     |                        | \$ =           | 1,642,202      |
|     | 7%                  |                | 82%        |                | 13%         |      | 5%                                      |                            |     |                        |                | 100.0%         |

## STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED SEPTEMBER 30, 2010

|   |     |                  |    | F                      | rog | ram Activities     |    |                       |             |                                    |
|---|-----|------------------|----|------------------------|-----|--------------------|----|-----------------------|-------------|------------------------------------|
| ,                                       |     | Research         |    | National<br>Activities | -   | Client<br>Programs |    | Community<br>Programs |             | Professional Education nd Training |
| Salaries                                | \$  |                  | \$ | 7                      | \$  | 145,362            | \$ | 170,642               | \$          | 56,881                             |
| Employee benefits                       |     | 120              |    | -                      |     | 12,558             |    | 14,742                |             | 4,914                              |
| Payroll taxes                           |     | (*               |    |                        | 0.5 | 13,586             | -  | 15,948                | -           | 5,316                              |
| Total salaries and related expenses     | -   | *                |    |                        | 8=  | 171,506            | ,  | 201,332               | _           | 67,111                             |
| Printing                                |     | ( <u>•</u> )     |    | 5,                     |     | 1,895              |    | 595                   |             | 196                                |
| Postage and shipping                    |     |                  |    | (20)                   |     | 5,423              |    | 973                   |             | 304                                |
| Telephone                               |     | ( <del>-</del> ) |    | :=00                   |     | 8,247              |    | 4,131                 |             | 1,258                              |
| Supplies                                |     | ₹ <u>₩</u>       |    | <b>14</b> 1            |     | 6,753              |    | 1,544                 |             | 481                                |
| Dues and memberships                    |     | 3 <b>7</b> 4     |    | y <del>=</del> 0       |     | 427                |    | 291                   |             | 97                                 |
| Professional and contract service fees  |     | :0#0             |    | S#35                   |     | 87,711             |    | 19,910                |             | 6,612                              |
| Travel                                  |     | V 252            |    | 143                    |     | 7,295              |    | 6,572                 |             | 1,334                              |
| Meetings                                |     | J-73             |    | 3                      |     | 26,862             |    | 2,945                 |             | 470                                |
| Occupancy                               |     | *:               |    | (2)                    |     | 22,741             |    | 26,697                |             | 8,899                              |
| Furniture and equipment                 |     | ¥:               |    |                        |     | 4,870              |    | 5,717                 |             | 1,906                              |
| Insurance (property and casualty)       |     | <b>3</b>         |    | =20                    |     | 2,264              |    | 2,658                 |             | 886                                |
| Disbursements for people with MS        |     | •                |    | 250                    |     | 59,480             |    | ¥                     |             | 3.0                                |
| Prizes and promotional items            |     | ×                |    | :82                    |     | 114                |    | 134                   |             | 45                                 |
| Miscellaneous expense                   |     | 4                |    | 200                    |     | 1,702              |    | 1,998                 |             | 666                                |
| Depreciation                            |     |                  |    | <u> </u>               |     | 1,890              |    | 2,219                 |             | 740                                |
| Restricted contributions to National    |     |                  |    |                        |     |                    |    |                       |             |                                    |
| for research and other activities       |     | 52,838           |    | 536                    |     | :*:                |    | =                     |             |                                    |
| Functionalized National program expense | -   | 246,195          | 9  | <u> </u>               | ,   | (#2                | 16 |                       | -           | (18)                               |
| Total expenses before public            |     |                  |    |                        |     |                    |    |                       |             |                                    |
| support to National                     |     | 299,033          |    | **:<br>                | ,   | 237,674            | 9  | 76,384                | 1 <u>2-</u> | 23,894                             |
| Public support to National              | 3   |                  | ă  | 246,195                |     |                    | 0  | <u> </u>              |             | 141                                |
| Total expenses                          | \$  | 299,033          | \$ | 246,195                | \$  | 409,180            | \$ | 277,716               | \$ =        | 91,005                             |
| Less direct benefit to donor costs      |     |                  |    |                        |     |                    |    |                       |             |                                    |
| Total expenses                          |     |                  |    |                        |     |                    |    |                       |             |                                    |
| Expense total                           | 112 | 17%              |    | 14%                    |     | 23%                |    | 15%                   | =           | 5%                                 |

| 1  | Program Activ       | ities ( | continued) | _               | Supportin   | g Serv  | rices          |    |                            |                 |                        |      |                |
|----|---------------------|---------|------------|-----------------|-------------|---------|----------------|----|----------------------------|-----------------|------------------------|------|----------------|
|    | Public<br>Education |         | Total      | _1              | Fundraising |         | Ianagement     |    | Total Programs and Support | 0 <del>)-</del> | Benefit to Donor Costs | -    | Grand<br>Total |
| \$ | 75,841              | \$      | 448,726    | \$              | 120,082     | \$      | 63,201         | \$ | 632,009                    | \$              | *                      | \$   | 632,009        |
| Φ  | 6,552               | Ψ       | 38,766     | Ψ               | 10,374      | 4       | 5,460          | -  | 54,600                     |                 | ¥                      |      | 54,600         |
|    | 7,088               |         | 41,938     |                 | 11,223      |         | 5,907          |    | 59,068                     |                 | -                      |      | 59,068         |
|    | 1,7                 |         |            | -               |             |         |                |    |                            | R=              |                        | -    |                |
| _  | 89,481              | -       | 529,430    | _               | 141,679     |         | 74,568         |    | 745,677                    | (=              | <u> </u>               | -    | 745,677        |
|    | 2,712               |         | 5,398      |                 | 14,804      |         | 217            |    | 20,419                     |                 | ē                      |      | 20,419         |
|    | 1,530               |         | 8,230      |                 | 17,232      |         | 325            |    | 25,787                     |                 |                        |      | 25,787         |
|    | 1,677               |         | 15,313     |                 | 3,538       |         | 1,397          |    | 20,248                     |                 | :=                     |      | 20,248         |
|    | 785                 |         | 9,563      |                 | 2,087       |         | 534            |    | 12,184                     |                 | 6,631                  |      | 18,815         |
|    | 129                 |         | 944        |                 | 205         |         | 108            |    | 1,257                      |                 | -                      |      | 1,257          |
|    | 9,316               |         | 123,549    |                 | 17,084      |         | 7,346          |    | 147,979                    |                 |                        |      | 147,979        |
|    | 1,779               |         | 16,980     |                 | 12,464      |         | 1,483          |    | 30,927                     |                 | 45,430                 |      | 76,357         |
|    | 661                 |         | 30,938     |                 | 3,567       |         | 522            |    | 35,027                     |                 | 1,985                  |      | 37,012         |
|    | 11,865              |         | 70,202     |                 | 18,786      |         | 9,888          |    | 98,876                     |                 | 4,203                  |      | 103,079        |
|    | 2,541               |         | 15,034     |                 | 4,023       |         | 2,118          |    | 21,175                     |                 | *                      |      | 21,175         |
|    | 1,181               |         | 6,989      |                 | 1,871       |         | 985            |    | 9,845                      |                 | <b>34.</b> I           |      | 9,845          |
|    | =                   |         | 59,480     |                 | 3.00        |         |                |    | 59,480                     |                 | 3                      |      | 59,480         |
|    | 59                  |         | 352        |                 | 94          |         | 50             |    | 496                        |                 | 52,206                 |      | 52,702         |
|    | 888                 |         | 5,254      |                 | 14,348      |         | 740            |    | 20,342                     |                 | 2,619                  |      | 22,961         |
|    | 986                 |         | 5,835      |                 | 1,561       |         | 822            |    | 8,218                      |                 | :=3                    |      | 8,218          |
|    | 8                   |         | 52,838     |                 | <u> </u>    |         | 9 <del>4</del> |    | 52,838                     |                 | ( <b>=</b> 3)          |      | 52,838         |
|    | -                   |         | 246,195    |                 | · ·         |         | 447            |    | 246,195                    | 2               | 747                    | 12   | 246,195        |
| 84 |                     | -       |            | -               |             |         |                |    |                            | -               |                        |      |                |
|    | 36,109              | _       | 673,094    |                 | 111,664     | _       | 26,535         |    | 811,293                    |                 | 113,074                |      | 1,670,044      |
| 25 |                     | -       | 246,195    | -               |             | <u></u> | <u>15/1</u>    |    | 246,195                    |                 | 920                    |      | 246,195        |
| \$ | 125,590             | s _     | 1,448,719  | \$ <sub>=</sub> | 253,343     | \$_     | 101,103        | \$ | 1,803,165                  | \$ _            | 113,074                | \$   | 1,916,239      |
|    |                     |         |            |                 |             |         |                |    |                            |                 |                        | 8.5  | (113,074)      |
|    |                     |         |            |                 |             |         |                |    |                            |                 |                        | \$ = | 1,803,165      |
| 52 | 7%                  |         | 80%        | -               | 14%         | -       | 6%             |    |                            |                 |                        |      | 100%           |

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

|  |      | 2011            |                 | 2010              |
|--|------|-----------------|-----------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES             |      |                 |                 |                   |
| Change in net assets                             | \$   | 425,114         | \$              | 27,764            |
| Adjustments to reconcile change in net assets    |      |                 |                 |                   |
| to net cash provided by operating activities     |      |                 |                 |                   |
| Debt forgiveness                                 |      | (386,709)       |                 | 2                 |
| Loss of sale of equipment                        |      | 505             |                 | (: <del>=</del> ; |
| Depreciation                                     |      | 9,158           |                 | 12,448            |
| Changes in assets and liabilities                |      |                 |                 |                   |
| Contributions receivable                         |      | (826)           |                 | 11,195            |
| Grant receivable, National                       |      | 1 <del>/2</del> |                 | 20,944            |
| Gaming inventory, at cost                        |      | (1,628)         |                 | 997               |
| Prepaid expenses                                 |      | (414)           |                 | 325               |
| Other assets                                     |      | 545             |                 | ш                 |
| Accounts payable and accrued expenses            |      | (28,036)        |                 | (23,602)          |
| Due to National Multiple Sclerosis Society       |      | 12,482          |                 | 5,879             |
| Deferred revenue                                 |      | (3,120)         |                 | (50,489)          |
| D 0101104 14 14 14 14 14 14 14 14 14 14 14 14 14 | _    |                 |                 |                   |
| Net cash provided by operating activities        | _    | 27,071          | :=              | 5,461             |
| NET CASH FROM INVESTING ACTIVITIES               |      |                 |                 |                   |
| Purchase of property and equipment               |      | (150)           |                 | (1,481)           |
| Proceeds from sale of property and equipment     |      | 3,152           |                 | =                 |
| Proceeds from redemption of investments          |      | =               |                 | 2,445             |
| Proceeds from reaemption of investments          | 9    |                 | Ċ.              |                   |
| Net cash provided by investing activities        |      | 3,002           |                 | 964               |
| Net cash provided by hivesting activities        | ·    | 3,002           |                 |                   |
| NET CHANGE IN CASH AND CASH EQUIVALENTS          |      | 30,073          |                 | 6,425             |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR     |      | 361,829         |                 | 355,404_          |
| CASH AND CASH EQUIVALENTS, DEGINANTS OF THE      | _    |                 | () <del>-</del> |                   |
| CASH AND CASH EQUIVALENTS, END OF YEAR           | \$ = | 391,902         | \$ =            | 361,829           |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH              |      |                 |                 |                   |
| TRANSACTIONS                                     |      |                 |                 |                   |
| Debt forgiveness                                 | \$ = | 386,709         | \$ _            |                   |

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization

The National Multiple Sclerosis Society North Central States Chapter (the Chapter) is a not-for-profit voluntary health agency which raises funds in Iowa, North Dakota and South Dakota to provide services to people with multiple sclerosis, support multiple sclerosis research through its national organization, and educate the public about the impact of multiple sclerosis. Services include supporting medical care centers, counseling, crisis services, education, transportation, recreation and physical therapy for individuals with multiple sclerosis.

The Chapter qualifies as a charitable organization as defined by Internal Revenue Code 501(c)(3), and, accordingly, it is exempt from federal income taxes under Internal Revenue Code Section 501(a). The Chapter is also exempt from North Dakota and Iowa state income tax.

With few exceptions, the Chapter is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2008.

The Chapter also conducts charitable gaming, as allowed by North Dakota statute, at three gaming sites in Fargo, North Dakota: Rick's Bar, TGIFridays and Penalty Box. The gaming activities provide support for Chapter services. The TGIFridays gaming site ceased operations in 2010.

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

### Net Asset Classifications

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

Unrestricted Net Assets: Unrestricted net assets represent funds which are fully available, at the discretion of management and the Board of Trustees, for the Chapter to utilize in any of its program or supporting services.

Temporarily Restricted Net Assets: Temporarily restricted net assets are comprised of funds which are restricted by donors for specific purposes. The restrictions are satisfied either by the passage of time or by actions of the Chapter.

Permanently Restricted Net Assets: Permanently restricted net assets include resources with permanent donor-imposed restrictions, which require the assets to be maintained in perpetuity but permit the Chapter to expend all or part of the income derived from the donated assets.

#### Revenue Recognition and Deferred Revenue

Contributions are recorded as revenue when received or promised (pledged) unconditionally, at their fair value. The fair value of long-term contributions receivable are measured based on the present value of future cash flows, with consideration of expectation about possible variations in the amount and/or timing of the cash flows and other specific factors that would be considered by market participants. The fair value measurements also consider donors' credit risk. 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

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

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

All revenue received in advance for special events that are held subsequent to year-end is deferred.

### **Expense Allocations**

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

#### Concentration of Credit Risk

The Chapter maintains a portion of its cash and investments in deposit and fund accounts that at times may exceed federally insured 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 and investments.

#### Cash and Cash Equivalents

The Chapter considers highly liquid investments with maturities of three months or less when purchased to be cash equivalents. At September 30, 2011 and 2010, the Chapter's cash was held by two banks.

#### Contributions and Other Receivables

Contributions and other receivables consist of accruals of public support received after year end that pertained to fundraising events held during the year ended September 30, 2011 and 2010. The Chapter believes that the pledges receivable are fully collectible.

#### Property and Equipment

Property and equipment are recorded at cost. Depreciation and amortization are provided on the straight-line basis over the estimated useful lives of the assets, as appropriate.

#### **Donated Goods and Services**

The Chapter records revenue and a corresponding expense for donated administrative services donated advertising services as well as donated facilities. 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.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

In addition, a number of volunteers have donated significant amounts of their time to the Chapter's program services and supporting services. No amounts have been reflected in the accompanying financial statement for those donated services because they do not meet the criteria for revenue recognition established by ASC Section 958-605 (formerly Statement of Financial Accounting Standards No. 116, Contributions Received and Contributions Made).

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

#### Research and National Activities Expense

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 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 fiscal year 2011, the Chapter's national program expense under the new policy was calculated to be \$551,723. 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.

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

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

In addition to the fixed amount of National Program Expense for fiscal year 2011, the Chapter also participates in the funding of National's research campaign, certain specific research grants approved by National and other National activities. The additional contributions to National, which totaled \$19,059 and \$52,609 for the years ended September 30, 2011 and 2010, respectively, consisted of the following:

|  | -  | 2011   | 03   | 2010             |
|--|----|--------|------|------------------|
| Annual funding of National's research campaign<br>Funding of Promise 2010 Campaign | \$ | 19,059 | \$   | 12,609<br>40,000 |
|  | \$ | 19,059 | \$ = | 52,609           |

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

#### Reclassification

Certain reclassifications have been made to the 2010 balances to conform to the 2011 presentation. The reclassifications had no effect on the reported change in net assets.

#### **NOTE 2 – RESTRICTED CASH**

Pursuant to the North Dakota Games of Chance Administrative Rules, the Chapter maintains funds in restricted accounts for use in its charitable gaming activity. The Chapter maintains a gaming account restricted for deposit of gaming proceeds, disbursements for gaming operating expenses and transfers to the charitable gaming trust account, under state law. The Chapter also maintains a charitable gaming trust account for deposit of gaming net-proceed transfers. The gaming proceeds transferred to the Chapter's charitable gaming trust account are limited to eligible to use. Eligible uses are defined by law as the particular use benefiting the Organization.

The restricted cash balances at September 30, 2011 and 2010, held in the gaming account were \$77,919 and \$44,181, respectively, and held in the charitable gaming trust account were \$3,485 and \$433, respectively.

#### NOTE 3 - ALLOCATION OF JOINT COSTS

For the years ended September 30, 2011 and 2010, the Chapter incurred joint costs of \$16,126 and \$3,874 respectively, for information materials and activities that included fundraising appeals. Such costs were allocated in accordance with requirements of ASC Section 958-720 (formerly the American Institute of Certified Public Accountants' Statement of Position 98-2), Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Government Entities That Include Fund-Raising. Of these costs, \$10,154 and \$2,053 were allocated to fundraising, \$5,972 and \$1,821 to public education, respectively.

#### NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30:

|  | 2011                         | 2010                         |
|--|------------------------------|------------------------------|
| Property and equipment Leasehold improvements Gaming equipment | \$ 55,767<br>2,788<br>69,312 | \$ 57,519<br>2,788<br>73,496 |
| Accumulated depreciation                                       | 127,867<br>(115,283)         | 133,803<br>(108,554)         |
|  | \$12,584                     | \$25,249                     |

Depreciation expense for the years ended September 30, 2011 and 2010 totaled \$9,158 and \$12,448, respectively, which includes \$2,517 in 2011 and \$4,231 in 2010 of depreciation that is included in gaming revenues.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

#### **NOTE 5 – CONTRIBUTIONS**

Public support includes the following contributions, legacies and bequests received at National from Iowa, North Dakota and South Dakota sources for the years ended September 30:

|  | i <del></del> | 2011            | _       | 2010          |
|--|---------------|-----------------|---------|---------------|
| General contributions Research contributions | \$            | 53,055<br>1,335 | \$<br>_ | 59,630<br>230 |
|  | \$ _          | 54,390          | \$      | 59,860        |

#### **NOTE 6 – OPERATING LEASES**

The Chapter rents office, storage space and equipment under operating leases with varying terms. The Chapter also rents space for its lawful gaming operations under leases, which will expire June 30, 2011.

Office rent expense for the years ended September 30, 2011 and 2010 was approximately \$90,849 and \$88,351, respectively.

The future minimum annual rental commitments under noncancellable lease agreements at September 30, 2011 are as follows:

|      | _ <u>E</u> | Equipment |    | Office and Storage Space |      | Gaming Sites |      | Total   |  |
|------|------------|-----------|----|--------------------------|------|--------------|------|---------|--|
| 2012 | \$         | 16,702    | \$ | 94,515                   | \$   | 11,250       | \$   | 122,467 |  |
| 2013 | 4          | 13,091    | ·  | 96,886                   |      | ·            |      | 109,977 |  |
| 2014 |            | 10,006    |    | 48,869                   |      | (E)          |      | 58,875  |  |
| 2015 |            | 3,521     | -  | 16,400                   | 05   | 7 <b>7</b> % | H-   | 19,921  |  |
|      | \$         | 43,320    | \$ | 256,670                  | \$ _ | 11,250       | \$ _ | 311,240 |  |

#### **NOTE 7 – PENSION PLANS**

The Chapter provides a defined contribution pension plan covering all qualified employees over 21 years of age and who have worked a minimum of 1,000 hours during the year. The plan allows the Chapter to contribute a discretionary amount into the participants' accounts.

Employees may also participate in a Tax Deferred Annuity Plan, which meets the requirements of Section 403(b) of the Internal Revenue Code. Participants may elect to defer, with certain limits, a portion of their compensation through contributions to the plan.

The Chapters' contribution to the defined contribution pension plan for the years ended September 30, 2011 and 2010 totaled \$-0- and \$2,842, respectively.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

#### NOTE 8 - RESTRICTED NET ASSETS

As of September 30, 2011, included in temporarily restricted net assets are amounts restricted due to donor-imposed purpose restrictions for programs in the amount of \$5,219. There were no temporarily restricted net assets as of September 30, 2010.

As of September 30, 2011 and 2010, there are no permanently restricted net assets.

## NOTE 9 – CONTRIBUTIONS RESTRICTED FOR LOCAL USE

During the fiscal year ended September 30, 2011, the Chapter received contributions of \$258,989 and \$314,083, respectively, which were restricted by the donors to be used solely for local chapter services and sponsorship for special events. These restricted contributions were tested as part of our independent audit procedures and were in compliance with the restricted gift policy of the National Multiple Sclerosis Society.

### **NOTE 10 – EXTRAORDINARY ITEMS**

On September 30, 2011 the National Multiple Sclerosis Society forgave the debt due from the Chapter in the amount of \$386,709. The effect of the debt forgiveness is presented as an extraordinary item on the statement of activities.

#### **NOTE 11 – SUBSEQUENT EVENTS**

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.

On October 31, 2011 the Upper Midwest Chapter entered into a lease agreement for the Sioux Falls office. Monthly payments start at \$2,877 in February 2012 and can increase 2% annually through January 2014.

The Organization has evaluated subsequent events through December 28, 2011, the date which the financial statements were available to be issued.