NATIONAL MULTIPLE SCLEROSIS SOCIETY
SOUTH CENTRAL CHAPTER
(A Nonprofit Organization)

Independent Auditors' Report
Financial Statements and
Supplementary Information
September 30, 2012 and 2011

NATIONAL MULTIPLE SCLEROSIS SOCIETY
SOUTH CENTRAL CHAPTER
(A Nonprofit Organization)

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statement of Functional Expenses – Fiscal Year 2012	5
Statement of Functional Expenses – Fiscal Year 2011	6
Statements of Cash Flows	7
Notes to the Financial Statements	8
SUPPLEMENTARY INFORMATION	
Independent Auditors' Report on Supplementary Information	19
Schedule of Income from Special Events	20
Schedule of Amount Due National MS Society	21
Schedule of Memberships and Contributions	22

McConnell & Jones LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
National Multiple Sclerosis Society
South Central Chapter

We have audited the accompanying statements of financial position of the National Multiple Sclerosis Society – South Central Chapter (the "Chapter") as of September 30, 2012 and 2011, 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2012 and 2011, 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.

McConnell & Jones LLP

Houston, Texas
December 10, 2012

3040 Post Oak Blvd., Suite 1600
Houston, TX 77056
Phone: 713.968.1600
Fax: 713.968.1601

WWW.MCCONNELLJONES.COM

NATIONAL MULTIPLE SCLEROSIS SOCIETY
SOUTH CENTRAL CHAPTER
(A Nonprofit Organization)

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2012 AND 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 7,788,728	$ 7,926,142
Certificates of deposit	109,026	108,604
Contributions receivable	181,412	355,446
Contributions receivable from National	-	64,500
Prepaid expenses and other assets	417,884	267,477
Total current assets	8,497,050	8,722,169
NONCURRENT ASSETS		
Property and equipment, net of accumulated depreciation and amortization of $1,253,724 in 2012 and $1,150,319 in 2011	458,253	509,630
Due from National Multiple Sclerosis Society - Charitable Gift Annuities	29,053	12,171
Total noncurrent assets	487,306	521,801
TOTAL ASSETS	$ 8,984,356	$ 9,243,970
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Due to National Multiple Sclerosis Society:		
Other payables to National	$ 5,544	$ 72,322
Account payables and accrued expenses	869,935	803,770
Accrued compensated absences	199,037	434,119
Deferred revenue	1,735,818	1,687,813
Total current liabilities	2,810,334	2,998,024
TOTAL LIABILITIES	2,810,334	2,998,024
NET ASSETS		
Unrestricted	5,770,783	5,910,682
Temporarily restricted	403,239	335,264
TOTAL NET ASSETS	6,174,022	6,245,946
TOTAL LIABILITIES AND NET ASSETS	$ 8,984,356	$ 9,243,970

The accompanying notes are an integral part of the financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY - SOUTH CENTRAL CHAPTER
(A Nonprofit Organization)

STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support:						
Received directly:						
Special events (includes inkind donations of $579,434 in 2012 & $699,137 in 2011)	$ 27,266,041	$ -	$ 27,266,041	$ 26,243,814	$ -	$ 26,243,814
Less benefit to donor costs	(3,253,421)	-	(3,253,421)	(3,296,857)	-	(3,296,857)
	24,012,620	-	24,012,620	22,946,957	-	22,946,957
Membership and contributions (includes inkind donations of $44,379 in 2012 & $33,552 in 2011)	835,903	390,073	1,225,976	743,183	331,052	1,074,235
Legacies	74,563	220	74,783	41,734	-	41,734
Received at National (other than legacies)	227,557	2,656	230,213	255,855	3,536	259,391
Total received directly	25,150,643	392,949	25,543,592	23,987,729	334,588	24,322,317
Received indirectly:						
Federated fund raising organizations	-	95,700	95,700	73,677	51,391	125,068
Total received indirectly	-	95,700	95,700	73,677	51,391	125,068
Total public support	25,150,643	488,649	25,639,292	24,061,406	385,979	24,447,385
Other revenue:						
Investment income	8,007	-	8,007	17,940	-	17,940
Service program fees	-	13,205	13,205	-	28,067	28,067
Miscellaneous income:						
Insurance proceeds	-	-	-	4,690	-	4,690
Subsidies - home office	-	3,600	3,600	-	4,100	4,100
Other	311	-	311	-	-	-
Total miscellaneous income	311	3,600	3,911	4,690	4,100	8,790
Total other revenue	8,318	16,805	25,123	22,630	32,167	54,797
Net assets released from restrictions	437,480	(437,480)	-	513,721	(513,721)	-
Total revenue	$ 25,596,441	$ 67,974	$ 25,664,415	$ 24,597,757	$ (95,575)	$ 24,502,182

Continued

The accompanying notes are an integral part of the financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY - SOUTH CENTRAL CHAPTER
(A Nonprofit Organization)

STATEMENTS OF ACTIVITIES, CONTINUED
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Expenses:						
Program services:						
Research	$ 7,248,349	$ -	$ 7,248,349	$ 7,598,178	$ -	$ 7,598,178
National activities	4,654,196	-	4,654,196	4,080,599	-	4,080,599
Client programs	4,960,084	-	4,960,084	4,397,863	-	4,397,863
Community programs	1,199,132	-	1,199,132	1,825,855	-	1,825,855
Professional education and training	472,665	-	472,665	494,024	-	494,024
Public education	1,634,770	-	1,634,770	1,783,467	-	1,783,467
Total program services	20,169,196	-	20,169,196	20,179,986	-	20,179,986
Supporting services:						
Fund-raising	4,380,202	-	4,380,202	4,554,839	-	4,554,839
Management and general	1,186,942	-	1,186,942	1,122,121	-	1,122,121
Total supporting services	5,567,144	-	5,567,144	5,676,960	-	5,676,960
Total expenses	25,736,340	-	25,736,340	25,856,946	-	25,856,946
Change in net assets exlcuding the effects of consolidation	(139,899)	67,974	(71,925)	(1,259,189)	(95,575)	(1,354,764)
Net assets acquired through consolidation with Oklahoma chapter	-	-	-	359,039	129,000	488,039
Total change in net assets	(139,899)	67,974	(71,925)	(900,150)	33,425	(866,725)
Net assets, beginning of year	5,910,682	335,264	6,245,946	6,810,832	301,839	7,112,671
Net assets, end of year	$ 5,770,783	$ 403,238	$ 6,174,021	$ 5,910,682	$ 335,264	$ 6,245,946

The accompanying notes are an integral part of the financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY- SOUTH CENTRAL CHAPTER
(A Nonprofit Organization)

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2012

	Program Activities							Supporting Services				
	Research	National Activities	Client Programs	Community Programs	Professional Education and Training	Public Education	Total	Fund Raising	Management and General	Total Programs and Support	Benefit to Donor Costs	Total
Salaries	$ -	$ -	$ 1,675,025	$ 679,895	$ 276,056	$ 994,527	$ 3,625,503	$ 1,679,847	$ 722,087	$ 6,027,437	$ -	$ 6,027,437
Employee benefits	-	-	401,921	163,140	66,240	238,636	869,937	403,078	173,264	1,446,279	-	1,446,279
Payroll taxes	-	-	132,135	53,634	21,777	78,454	286,000	132,515	56,962	475,477	-	475,477
Total salaries and related expenses	-	-	2,209,081	896,669	364,073	1,311,617	4,781,440	2,215,440	952,313	7,949,193	-	7,949,193
Printing (includes total in-kind expenses of $30,195)	-	-	140,759	6,016	1,358	4,893	153,026	204,190	3,552	360,768	-	360,768
Postage & shipping	-	-	77,995	9,758	3,210	11,564	102,527	83,673	8,396	194,596	-	194,596
Telephone	-	-	53,365	15,701	5,839	21,037	95,942	38,267	15,274	149,483	-	149,483
Supplies (includes total in-kind expenses of $43,425)	-	-	37,838	8,491	3,151	11,350	60,830	37,080	8,241	106,151	471,764	577,915
Dues & memberships	-	-	3,942	4,312	561	2,023	10,838	7,704	1,469	20,011	-	20,011
Professional & other contract service fees (includes total in-kind expenses of $4,650)	-	-	654,708	71,357	20,243	36,902	783,210	458,473	26,793	1,268,476	364,380	1,632,856
Travel (includes total in-kind expenses of $457,218)	-	-	83,476	21,868	12,420	15,588	133,352	225,007	11,318	369,677	1,627,907	1,997,584
Meetings (includes total in-kind expenses of $38,936)	-	-	165,791	15,177	2,457	5,968	189,393	126,053	4,333	319,779	73,272	393,051
Occupancy (includes total in-kind expenses of $34,539)	-	-	226,251	91,836	37,288	134,334	489,709	250,458	97,535	837,702	83,868	921,570
Furniture & equipment	-	-	44,806	18,187	7,384	26,603	96,980	49,165	19,316	165,461	-	165,461
Insurance (property & casualty)	-	-	32,745	13,291	5,397	19,442	70,875	32,839	14,116	117,830	-	117,830
Awards and grants to other MS-related organizations	-	-	656,438	-	-	-	656,438	-	-	656,438	-	656,438
Direct financial assistance	-	-	516,554	-	-	-	516,554	-	-	516,554	-	516,554
Prizes and promotional items (includes total in-kind expenses of $14,850)	-	-	70	3,631	12	42	3,755	15,727	30	19,512	632,230	651,742
Bank and credit card charges	-	-	18,393	7,466	3,031	10,921	39,811	590,041	7,929	637,781	-	637,781
Miscellaneous expenses	-	-	5,845	2,372	963	3,470	12,650	13,965	2,520	29,135	-	29,135
Depreciation & amortization	-	-	32,027	13,000	5,278	19,016	69,321	32,120	13,807	115,248	-	115,248
Restricted contributions to National for research	2,000,000	-	-	-	-	-	2,000,000	-	-	2,000,000	-	2,000,000
Functionalized National program expense	5,248,349	-		-	-	-	5,248,349	-	-	5,248,349	-	5,248,349
Total expenses before public support to National	7,248,349	-	4,960,084	1,199,132	472,665	1,634,770	15,515,000	4,380,202	1,186,942	21,082,144	3,253,421	24,335,565
Public support to National	-	4,654,196	-	-	-	-	4,654,196	-	-	4,654,196	-	4,654,196
Total expenses	$ 7,248,349	$ 4,654,196	$ 4,960,084	$ 1,199,132	$ 472,665	$ 1,634,770	$ 20,169,196	$ 4,380,202	$ 1,186,942	$ 25,736,340	$ 3,253,421	28,989,761
Less: Direct benefit to donor costs												(3,253,421)
Total expenses as reported on the statement of activities												$ 25,736,340

The accompanying notes are an integral part of the financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY - SOUTH CENTRAL CHAPTER
(A Nonprofit Organization)

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2011

	Program Activities							Supporting Services				
	Research	National Activities	Client Programs	Community Programs	Professional Education and Training	Public Education	Total	Fund Raising	Management and General	Total Programs and Support	Benefit To Donor Costs	Total
Salaries	$ -	$ -	$ 1,756,240	$ 686,627	$ 289,270	$ 1,015,883	$ 3,748,020	$ 1,846,208	$ 653,514	$ 6,247,742	$ -	$ 6,247,742
Employee benefits	-	-	350,102	136,877	57,665	202,514	747,158	368,037	130,276	1,245,471	-	1,245,471
Payroll taxes	-	-	141,999	55,517	23,389	82,138	303,043	149,274	52,839	505,156	-	505,156
Total salaries and related expenses	-	-	2,248,341	879,021	370,324	1,300,535	4,798,221	2,363,519	836,629	7,998,369	-	7,998,369
Printing (includes total in-kind expenses of $47,078)	-	-	50,175	11,374	7,593	106,857	175,999	228,470	7,661	412,130	-	412,130
Postage and shipping	-	-	49,808	8,890	6,162	45,158	110,018	82,625	6,882	199,525	-	199,525
Telephone	-	-	73,054	23,225	9,489	32,300	138,068	63,693	21,905	223,666	-	223,666
Supplies (includes total in-kind expenses of $31,328)	-	-	44,057	11,102	4,501	13,028	72,688	37,826	8,563	119,077	420,309	539,386
Dues and memberships	-	-	3,531	2,302	752	2,042	8,627	8,983	1,314	18,924	-	18,924
Professional and other contract service fees (includes total in-kind expenses of $2,645)	-	-	696,159	104,574	14,725	51,246	866,704	436,933	48,245	1,351,882	307,110	1,658,992
Travel (includes total in-kind expenses of $494,794)	-	-	71,065	49,308	12,100	13,042	145,515	227,297	31,707	404,519	1,673,157	2,077,676
Meetings (includes total in-kind expenses of $71,538)	-	-	196,494	30,777	7,638	5,951	240,860	135,127	18,395	394,382	55,971	450,353
Occupancy (includes total in-kind expenses of $33,552)	-	-	232,978	91,086	38,374	134,764	497,202	265,586	86,693	849,481	140,060	989,541
Furniture and equipment	-	-	52,519	20,533	8,650	30,379	112,081	55,479	19,543	187,103	-	187,103
Insurance (property and casualty)	-	-	24,933	9,748	4,107	14,422	53,210	26,211	9,278	88,699	-	88,699
Awards and grants	-	-	-	559,444	-	-	559,444	-	-	559,444	-	559,444
Direct financial assistance	-	-	596,225	-	-	-	596,225	-	-	596,225	-	596,225
Prizes and promotional items (includes total in-kind expenses of $51,754)	-	-	127	1,713	21	73	1,934	15,992	3,645	21,571	698,015	719,586
Bank and credit card charges	-	-	19,948	7,799	3,286	11,539	42,572	559,931	7,423	609,926	-	609,926
Miscellaneous expense	-	-	6,124	2,321	978	3,433	12,856	13,186	2,209	28,251	2,235	30,486
Depreciation & amortization	-	-	32,325	12,638	5,324	18,698	68,985	33,981	12,029	114,995	-	114,995
Restricted contributions to National for research	2,996,651	-	-	-	-	-	2,996,651	-	-	2,996,651	-	2,996,651
Functionalized National program expense	4,601,527	-	-	-	-	-	4,601,527	-	-	4,601,527	-	4,601,527
Total expenses before public support to National	7,598,178	-	4,397,863	1,825,855	494,024	1,783,467	16,099,387	4,554,839	1,122,121	21,776,347	3,296,857	25,073,204
Public support to National	-	4,080,599	-	-	-	-	4,080,599	-	-	-	-	4,080,599
Total expenses	$ 7,598,178	$ 4,080,599	$ 4,397,863	$ 1,825,855	$ 494,024	$ 1,783,467	$ 20,179,986	$ 4,554,839	$ 1,122,121	$ 21,776,347	$ 3,296,857	29,153,803
Less: Direct benefit to donor costs												(3,296,857)
Total expenses as reported on the statement of activities												$ 25,856,946

The accompanying notes are an integral part of the financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY - SOUTH CENTRAL CHAPTER
(A Nonprofit Organization)

STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (71,925)	$ (866,725)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	115,248	114,996
Disposal of fixed assets	1,055	-
Net value of property and equipment acquired by consolidation	-	(14,387)
Changes in operating assets and liabilites:		
Decrease in contributions receivable	238,534	141,339
(Increase) decrease in due from National	(16,882)	3,014
(Increase) decrease in prepaid expenses and other assets	(150,404)	110,827
(Decrease) increase in accounts payable and accrued expenses	(168,918)	265,255
Decrease in due to National	(66,778)	(444,371)
Increase in deferred revenue	48,004	196,119
Total adjustment	(141)	372,792
Net cash used in operating activities	(72,066)	(493,933)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of certificates of deposit	(422)	(3,112,196)
Redemption of certificates of deposit	-	5,003,592
Purchases of property and equipment	(64,924)	(199,901)
Net cash (used in) provided by investing activities	(65,346)	1,691,495
Net (decrease) increase in cash and cash equivalents	(137,412)	1,197,562
Cash and cash equivalents, beginning of year	7,926,142	6,728,580
Cash and cash equivalents, end of year	$ 7,788,730	$ 7,926,142

The accompanying notes are an integral part of the financial statements.

1. Organization and Significant Accounting Policies

Organization

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

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 management and the Board of Trustees, for the Chapter to utilize in any of its program activities 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. The Chapter did not have any permanently restricted net assets as of September 30, 2012 and 2011.

When both restricted and unrestricted resources are available for use, it is the Chapter's policy to use restricted resources first, then unrestricted resources as they are needed. Additionally, the Chapter is required by accounting principles generally accepted in the United States of America to present a statement of functional expenses and a statement of cash flows.

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 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 restrictions. Conditional

contributions are recognized as revenue when the conditions on which they depend have been substantially met. It is the Chapter's policy to record temporarily restricted contributions as increases in unrestricted net assets if the contributions are received and the related restrictions are fulfilled in the same accounting period.

Any 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 based on various allocation factors.

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, 2012 and 2011, the Chapter's cash was held by four banks.

Investments

The Chapter's investments in Certificates of Deposits are recorded at face value, since they approximate the instruments' fair value. Donated securities are recorded as contributions at their fair value at date of gift. The Chapter did not hold any equity or debt securities for the years ending September 30, 2012 or 2011

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 fiscal 2012 and 2011, respectively. 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 or the terms of the lease, as appropriate.

Donated Goods and Services

The Chapter records contributed revenue and a corresponding expense for donated goods and facilities. The revenues and expenses for the years ended September 30, 2012 and 2011 are reflected at fair value. These donated goods and facilities were valued at approximately $623,813 and $732,689 for the years ended September 30, 2012 and 2011.

In addition, a number of volunteers have donated significant amounts of their time to the Chapter's program services and supporting services. No amounts have been reflected in the accompanying financial statements for those donated services because they do not meet the criteria for revenue recognition established by accounting principles generally accepted in the United States of America.

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, the National Multiple Sclerosis Society's ("National" or the "Society") National Board of Directors approved a change in the policy for calculating each chapter's national program expense effective 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, the Society calculates the national program expense for each chapter in advance of the fiscal year after a complete review by the Budget Review Committee and National Board. In accordance with the new policy, the Chapter's national program expense is 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 the Society meets its programmatic goals and that all donor restrictions are honored. In fiscal year 2012, the Chapter's national program expense under the new policy was calculated to be $9,902,545. By setting the national program expense in advance, the Chapter is in a better position to control resources through its budgeting and planning processes.

The Chapter participates in the Society's direct marketing program. Unrestricted public support received under the program by the Society that is attributable to the Chapter's sources is credited to and recorded by the Chapter at 50% of the net revenue from the program. These amounts are recorded as *public support received at National (other than legacies)* in the accompanying statements of activities.

In addition to the fixed amount of the national program expense for fiscal year 2012, the Chapter made an additional contribution to the Society in the amount of $2,000,000, which was earmarked for Research and other national programs. This amount is included in the National Activities in the accompanying statements of activities.

Multi-year contributions recognized prior to fiscal year 2012 that are restricted for research and other national initiatives are remitted to the Society when received and reflected as expenses when the income is recorded at its present value and amortized over the respective periods.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was $23,587 and $51,223 in 2012 and 2011, respectively.

2. Program Activities and Supporting Services

The costs of providing the various programs and other activities are summarized in the accompanying statements of functional expenses. The following are some of the programs included in the accompanying financial statements:

- Financial Assistance Program
  Short term direct financial assistance for needs related to multiple sclerosis (MS) is available to those who meet established guidelines. Provisions of these services are intended to maintain or enhance the person's mobility, independence, safety and dignity. Assistance is provided when community resources do not exist for purchases or repairs of durable medical equipment, respite care, transportation to medical appointments, home modifications, incontinence supplies, utility, and rental/mortgage assistance.

- Educational Scholarships
  All too often the economic consequences of MS delays or prevents qualified students from attending college. The Scholarship Program annually recognizes high school seniors and graduates who have MS or who have a parent with MS and helps them achieve their academic potential through educational scholarships.

- MS Clinics
  The region provides financial support and maintains collaborative professional relationships with MS Clinics in order to improve access to specialized MS care and/or to improve the quality of MS care within the region's service area. The region maintains professional relationships and provides financial support to 10 clinics.

- Self-Help Groups and Peer Support
  Nearly 90 self-help groups for those with MS and their family meet monthly. These groups can be social, educational or recreational, offering emotional support and information exchange. In addition, professional speakers share their expertise about MS. The region provides annual funding resources and trainings for self-help group facilitators.

- MS Navigator (Information and Referral Services)
  The National MS Society assists persons impacted by MS in locating information and referrals in their community. Information and referral is offered nation-wide by skilled professionals who connect individuals with resources and the latest information about MS including the following:

  - What you need to know when newly diagnosed
  - Current information on treatment options, symptom management strategies, and research
  - Accessing optimal health care
  - Meeting workplace challenges
  - Understanding benefits, such as health insurance
  - Facing financial challenges
  - Facing caregiver challenges and finding help in the home
  - Accessing National, Regional or Chapter programs and services

- Education
  Educational materials, workshops and seminars are provided for those with MS and their families, for the public and for health care professionals. Free informational brochures about MS are available upon request, as are copies of the latest bulletins relating to ongoing research and new treatments. Workshops, seminars and teleconferences are the means by which we educate the public about MS and coping strategies. Some courses are geared to a specific audience with a specific topic. Professional education is offered to healthcare professionals throughout our regional territory.

- Chapter Publications and Library
  The regions quarterly newsletters, MS Connection, provides information about treatments, research, new MS developments and information of past, present and future events in services and fundraising campaigns. Momentum is a quarterly magazine published by the Society, covering news of current research and activities on the national level. The library contains a variety of informative books, DVD's and articles about MS and coping skills, offered on a short-term loan basis. Videos and audio books are also available.

- Financial Planning/Life Planning
  The region provides pro bono life planning and financial planning services to clients through a network of volunteer professionals.

- Employment programs
  The region connects people with employment resources and provides pro bono and discounted career coaching services through contracts with professionals.

- Care Management
  Through contracts with professionals the region assists people with the highest level of needs and most complex circumstances through a comprehensive care management program which includes an in-depth assessment, developing and coordinating a plan of action, collaborating with community resources, advocating and partnering with and for individuals living with MS and their families to achieve optimum function.

- Wellness / Recreation / Social Programs
  Individual wellness programs are offered to individuals living with MS including aquatics, assisted physical training, art, yoga, Tai Chi, Pilates and Yo Tai. We offer wellness programs for mind, body and spirit. In addition to the benefits of exercise, our wellness classes offer people with MS a great form of socialization and a unique way to meet others with MS.

  Recreation programs help foster independence and allow new skills to develop through educational and recreational activities. Activities include swimming, fishing, canoeing, horseback riding, arts and crafts, socials, archery and other camp events. Getaway Weekend and Family Discovery Camp is an initiative that provides recreational enjoyment and education for the entire family, allowing them to enjoy camp, while encouraging interchange with other families about day-to-day living with MS. Camp Can-Do is a three-day camp for people with MS who require 24-hour help with everyday living needs. Camp Can-Do allows those with MS to have a fun and unique "camping experience," while giving their caregivers some much needed rest and

relaxation. Champ Camp is a three-day, two-night camp for children living with multiple sclerosis. Champ Camp is designed to provide a family-oriented, fully accessible camping experience aimed at establishing relationships between children facing similar life challenges. Journey Camp is a week-long day camp held exclusively for children whose parents have MS. In addition to regular camp activities, daily educational programs are offered to encourage children to discuss having a parent with MS, learn about MS and its symptoms and understand more about how their parent is affected.

Annual social events are hosted throughout the region. These events provide individuals living with MS and their families an opportunity to connect and network with others members in their community, chapter staff, and volunteers. These events can help reduce isolation, and provides an accessible location, featuring entertainment, and activities for the entire family to enjoy.

Advocacy

MS activists fight for changes that make life better for people with MS. People who are affected by MS have the ability to speak out about the many challenges facing Texas families that can be addressed through changes in public policy. MS advocates can contribute by becoming a member of the MS Advocacy Action Network, an MS Ambassador, and an MS Story Bank Contributor.

MS Advocacy Action Network

- Advocates contact legislators in important public policy issues.
- Call, email, or write legislators in response to requests for action sent by the Society
- Action network members receive ongoing information that keeps them informed about the issues and helps them develop their advocacy skills.

MS Story Bank Contributor

- Advocates share their personal stories with the Society. This helps the Society record the challenges encountered by real people in accessing health care or other important services. With permission from the contributor, the stories are used as supporting documentation for lawmakers introducing bills or to raise awareness about the issues through the media.

MS Ambassador

- Advocates make personal visits to legislators in addition to their work as members of the MS Advocacy Action Network.
- The Society provides in-depth training and continuing support for this rewarding work.

3. Income Taxes

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). Additionally, since the Chapter is publicly supported, contributions made to the Chapter qualify for charitable deductions under the Internal Revenue Code.

The Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 740-10, *Accounting for Uncertainty in Income Taxes*, clarifies the accounting for income taxes by prescribing the minimum standard a tax position is required to meet before being recognized in the financial statements. The Chapter has not taken any uncertain tax position that should be accounted for under ASC Topic 740-10.

4. Allocation of Joint Costs

In fiscal 2012 and 2011, the Chapter incurred joint costs of $7,788 and $8,531, respectively, for information materials and activities that included fundraising appeals. Such costs were allocated in accordance with the requirements of ASC Topic 958-720-50-2, *Accounting for Costs of Activities That Include Fundraising.* Of these costs, $7,321 and $8,019 were allocated to fundraising, $467 and $512 to public education, respectively, for fiscal years 2012 and 2011, respectively.

5. Certificates of Deposit

A summary of the Chapter's investments in certificates of deposit at September 30 is as follows:

	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Certificates of deposit	$109,026	$ 109,026	$ 108,604	$ 108,604
Total	$109,026	$ 109,026	$ 108,604	$ 108,604

These instruments were held by the Chapter's investment custodians.

6. Property and Equipment

At September 30, property and equipment consisted of the following:

	2012	2011
Furniture and fixtures	$ 253,480	$ 254,587
Equipment	445,599	445,599
Computers	313,659	266,593
Leasehold improvements	699,239	693,170
	1,711,977	1,659,949
Less: accumulated depreciation and amortization	(1,253,724)	(1,150,319)
Total	$ 458,253	$ 509,630

Depreciation and amortization expense charged to operations for 2012 and 2011 was $115,248 and $114,995, respectively.

7. Leases

Office rent expense for the years ended September 30, 2012 and 2011 was approximately $703,775 and $692,787, respectively.

The future minimum annual rental commitments under non-cancellable lease agreements at September 30, 2012 are as follows:

Years Ending September 30,	Amount
2013	$ 538,130
2014	439,355
2015	377,048
2016	150,676
2017	113,400
Thereafter	-
	$ 1,618,609

8. Pension Plan

The Chapter participates in the Society's noncontributory Defined Contribution Retirement Plan, which covers substantially all of the Chapter's employees, based on defined eligibility for covered employees. Temporary employees and independent contractors are not eligible. Employees become eligible on the first day of the first month after beginning employment and all covered employees receive a contribution on September 30 each year. Employees are fully vested at the end of five years. The contribution rate for the years ended September 30, 2012 and 2011, as determined by the Society's President and Chief Executive Officer, was three percent (3%) of gross annual salary. The pension expense incurred by the

Chapter related to this plan for the years ended September 30, 2012 and 2011 was $157,454 and $110,080, respectively.

9. Temporarily Restricted Net Assets

As of September 30, 2012, included in temporarily restricted net assets are amounts restricted due to donor-imposed purpose restrictions for programs in the amount of $356,753. The remaining balance of temporarily restricted net assets, $46,485, will expire by the passage of time.

10. Contributions restricted for Local Use

During the fiscal years ended September 30, 2012 and 2011, the Chapter received contributions of $2,097,959 and $1,697,599, respectively, which were restricted by the donors to be used solely for local chapter services and sponsorship for special events. These contributions were used by the Chapter in accordance with the Society's policies on contributions and gifts for local use and other restricted purposes.

11. Fair Value Measurements

The Chapter adopted the provisions of FASB ASC Topic 820-10, *Fair Value Measurements,* which establishes a fair value hierarchy for the inputs used to measure fair value based on the nature of the data input, which generally range from quoted prices for identical instruments in a principal trading market (Level 1) to estimates determined using related market data (Level 3). Multiple inputs may be used to measure fair value; however, the level of fair value of each financial asset or liability presented below is based on the lower significant input level within this fair value hierarchy.

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

Fair value measurements based on Level 1 inputs: Measurements that are most observable are based on quoted prices of identical instruments obtained from the principal markets in which they are traded. Closing prices are both readily available and representative of fair value. Market transactions occur with sufficient frequency and volume to ensure liquidity. The Chapter's investments in Certificates of Deposits are valued at current cash value, which approximates fair value. Cash equivalents included in cash and cash equivalents in the statements of financial position primarily include high-quality money market funds with original maturities of three months or less, valued at the closing price reported by the fund sponsor from an actively traded exchange. These are included within cash equivalents as Level 1 measurements in the table below.

Fair value measurements based on Level 2 inputs: Measurements derived indirectly from observable inputs or from quoted prices from markets that are less liquid are considered Level 2. Measurements may consider inputs that other market participants would use in valuing a portfolio, quoted market prices for similar securities, interest rates, credit risks, and others. At September 30, 2012 and 2011, the Chapter had no financial instruments in the Level 2 hierarchy.

Fair value measurements based on Level 3 inputs: Measurements that are least observable are estimated from related market data, determined from sources with little or no market activity for comparable contracts, or are positions with longer durations. At September 30, 2012 and 2011, the Chapter had no financial instruments in the Level 3 hierarchy.

The following tables provide the fair value hierarchy of the Chapter's financial assets as of September 30, 2012 and 2011:

2012 Financial Assets	Level 1	Level 2	Level 3	Total
Cash Equivalents	$ 7,160,264	$ -	$ -	$ 7,160,264
Certificates of Deposit	109,026	-	-	109,026
Total	$ 7,269,290	$ -	$ -	$ 7,269,290

2011 Financial Assets	Level 1	Level 2	Level 3	Total
Cash Equivalents	$ 8,245,577	$ -	$ -	$ 8,245,577
Certificates of Deposit	108,604	-	-	108,604
Total	$ 8,354,181	$ -	$ -	$ 8,354,181

12. Concentration of Credit Risk

The Chapter maintains its cash and cash equivalents in deposits and fund accounts with financial institutions. The amounts of these financial instruments at times exceed federally insured limits. As of September 30, 2012 and 2011, the total balance in these accounts amounted to $8,105,390 and $8,567,804, respectively. Of these amounts, $5,255,488 and $5,359,608 were covered by FDIC at September 30, 2012 and 2011, respectively. The remaining amounts of $2,849,902 and $3,208,196 as of September 30, 2012 and 2011, respectively, did not qualify for FDIC insurance coverage and were subject to custodial risks. The Chapter's management monitors its credit and custodial risk exposures closely. The Chapter has not experienced any losses in these accounts.

13. Charitable Gift Annuities

The Society is the beneficiary in a number of split-interest agreements with donors, whereby the Society controls and invests the donated assets and shares with the donor or the donor's designee income generated from these assets until such time as stated in the agreement (usually upon the death of the donor or the donor's designee). In prior years through the year ended September 30, 2011, the residual assets under these agreements were shared between the Chapter designated by the donor and the Society, generally at 60% for the Chapter and 40% for the Society, unless otherwise designated by the donor.

Effective fiscal year 2012, the Chapter Relations Committee (CRC) of the Board of Directors of the Society adopted a new policy which allocates 100% of the residual assets to the Chapter in a split-interest

agreement where a chapter is designated as a beneficiary by the donor. The CRC also applied the policy to all such agreements entered into as of September 30, 2011, resulting in the reallocation, during fiscal year 2012, to the chapters of the portion of contributions previously credited to the Society as of that date. The Society continues to hold, manage, invest and control the donated assets. The contributions allocated to the Chapter under split-interest agreements for the years ended September 30, 2012 and September 30, 2011 were $16,882 and $3,015, respectively.

14. Conditional promise to Give

Conditional promises to give are not recognized in the financial statements until the conditions attached to the contributions have been substantially met. The Chapter evaluates the conditions for each contribution on an annual basis, in accordance with FASB ASC Topic 958-605, to determine if the conditions have been substantially met. Conditional promises to give that have not been recognized in the financial statements as of September 30, 2012, and 2011 amounted to $284,000 and $330,000, respectively.

15. Subsequent Event

Management has evaluated subsequent events through December 10, 2012. This was the date the financial statement were available to be issued. No changes were made to the financial statements as a result of this evaluation.

SUPPLEMENTARY INFORMATION
REQUIRED BY NATIONAL

McCONNELL & JONES LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

To the Board of Trustees
South Central Chapter of the
National Multiple Sclerosis Society

We have audited the financial statements of National Multiple Sclerosis Society, South Central Chapter as of and for the year ended September 30, 2012 and 2011, and have issued our report thereon dated December 10, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information presented on pages 20 through 22 of this report is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McConnell & Jones LLP

Houston, Texas
December 10, 2012

3040 Post Oak Blvd., Suite 1600
Houston, TX 77056
Phone: 713.968.1600
Fax: 713.968.1601

WWW.MCCONNELLJONES.COM

National Multiple Sclerosis Society - South Central Chapter
(A Nonprofit Organization)
Schedule of Income from Special Events
For the Year Ended September 30, 2012

Event	Sponsorship Cash	Sponsorship Inkind	Total Sponsorship & Other Restricted Income	Campaign Income	Total Income	Benefit to Donor Costs	Other Direct Costs	Total Costs
Walk MS	$ 427,935	$ 9,668	$ 437,603	$ 2,794,459	$ 3,232,062	$ 260,856	$ 220,817	$ 481,673
Bike MS	1,379,619	565,116	1,944,735	21,225,634	23,170,369	2,869,203	1,232,538	4,101,741
Mud Run	-	-	-	52,871	52,871	12,316	2,519	14,835
Dinner of Champions	22,500	-	22,500	167,850	190,350	22,205	8,034	30,239
Women on the MOVE	49,600	4,650	54,250	250,022	304,272	37,876	30,240	68,116
Uncorking the Cure	-	-	-	85,958	85,958	15,009	3,458	18,467
Other Special Events								
Beef-a-thon	7,825	-	7,825	32,048	39,873	615	4,924	5,539
Renaissance Dinner	-	-	-	139,101	139,101	28,195	11,924	40,119
Regatta	-	-	-	28,799	28,799	5,038	470	5,508
Trivia	1,000	-	1,000	21,386	22,386	2,108	435	2,543
Total Other Special Events	8,825	-	8,825	221,334	230,159	35,956	17,753	53,709
Total	$ 1,888,479	$ 579,434	$ 2,467,913	$ 24,798,128	$ 27,266,041	$ 3,253,421	$ 1,515,359	$ 4,768,780

National Multiple Sclerosis Society - South Central Chapter
(A Nonprofit Organization)
Schedule of Amount Due National MS Society
For the Year Ended September 30, 2012

REMITTANCE:	
Total FY2012 National Program Expense per Annual Remittance Invoice	$ 9,902,545
Add:	
Research Honor roll contributed from chapter reserves	2,000,000
Total National Program Expense	**11,902,545**
Chapter Payments:	
October 2011 thru September 2012	11,672,332
Total Paid for FY 2012	**11,672,332**
Credits:	
Direct Mail Received At National in FY 2012 (current fiscal year):	230,213
Total Credits	**230,213**
Total Payments Credits and Adjustments	**11,902,545**
Total Remittance Balance Due National (Chapter) at 9/30/2012	**$ -**
OTHER PAYABLES TO NATIONAL:	
Credit Card Payments due to Hawaii Chapter- pass through Home Office	$ 356
2012 Bike Subscriptions	5,189
Total other payables to National	**$ 5,545**
IN ADDITION - AMOUNTS PAYABLE TO/FROM OTHER CHAPTERS	
Delaware Chapter	**$ (605)**
Total due to (from) other Chapters at September 30, 2012	**$ (605)**

National Multiple Sclerosis Society - South Central Chapter
(A Nonprofit Organization)
Schedule of Memberships and Contributions
For the Year Ended September 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Amount of In-kind included in Total
Individual contributions					
General gifts	$ 169,954	$ 41,614	$ -	$ 211,568	$ 44,379
Major gifts	20,000	-	-	20,000	-
Tributes and memorials	85,192	13,150	-	98,342	-
Workplace giving	247,775	15,408	-	263,183	-
Total individual contributions	522,921	70,172	-	593,093	44,379
Corporate contributions	142,308	27,826	-	170,134	-
Foundation gifts and grants	38,287	232,960	-	271,247	-
Community (third party) event income	132,387	59,115	-	191,502	-
Grand total memberships and contributions	$ 835,903	$ 390,073	$ -	$ 1,225,976	$ 44,379