NATIONAL MULTIPLE SCLEROSIS SOCIETY
GREATER DELAWARE VALLEY CHAPTER

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

NATIONAL MULTIPLE SCLEROSIS SOCIETY
GREATER DELAWARE VALLEY CHAPTER

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
National Multiple Sclerosis Society
Greater Delaware Valley Chapter
Philadelphia, Pennsylvania

We have audited the accompanying statements of financial position of National Multiple Sclerosis Society, Greater Delaware Valley Chapter (a nonprofit organization) (***"Chapter"***) as of September 30, 2011 and 2010, and the related statements of activities, cash flows, and functional expenses 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 U.S. generally accepted auditing standards. 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 audits 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 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 National Multiple Sclerosis Society, Greater Delaware Valley Chapter, as of September 30, 2011 and 2010, and the changes in its net assets, and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

BBD, LLP

Philadelphia, Pennsylvania
December 29, 2011

NATIONAL MULTIPLE SCLEROSIS SOCIETY
GREATER DELAWARE VALLEY CHAPTER

STATEMENTS OF FINANCIAL POSITION

September 30, 2011 and 2010

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash	$2,855,632	$2,407,965
Accounts receivable, special events	417,000	402,632
Contributions receivable	10,000	-
Investments	2,840,978	4,287,891
Prepaid expenses and other	76,688	184,146
Total current assets	6,200,298	7,282,634
NONCURRENT ASSETS		
Investments	278,489	300,073
Furniture and equipment (Net of accumulated depreciation of $15,696 in 2011 and $558,176 in 2010)	285,992	110,237
Due from National Multiple Sclerosis Society – charitable remainder trusts	52,299	43,710
Beneficial interest in perpetual trust	237,019	-
Total noncurrent assets	853,799	454,020
Total assets	$7,054,097	$7,736,654
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term obligations	$ -	$ 28,947
Due to National Multiple Sclerosis Society		
Remittance due to National	168,710	143,153
Other payables due to National	5,880	-
Accounts payable and accrued expenses	436,910	275,092
Deferred revenue	172,980	632,483
Total current liabilities	784,480	1,079,675
NONCURRENT LIABILITIES		
Long-term obligations	-	30,732
Deferred rent	76,186	-
Total noncurrent liabilities	76,186	30,732
Total liabilities	860,666	1,110,407
NET ASSETS		
Unrestricted	5,578,422	6,239,327
Temporarily restricted	106,194	96,660
Permanently restricted	508,815	290,260
Total net assets	6,193,431	6,626,247
Total liabilities and net assets	$7,054,097	$7,736,654

See accompanying notes

NATIONAL MULTIPLE SCLEROSIS SOCIETY
GREATER DELAWARE VALLEY CHAPTER

STATEMENT OF ACTIVITIES

Year ended September 30, 2011 with comparative totals for 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2011	Total 2010
Public support					
Received directly					
Special events (includes donated materials of $198,002 in 2011 and $170,178 in 2010)	$ 9,496,352	$ -	$ -	$ 9,496,352	$ 9,804,318
Less direct benefits to donor costs	(1,337,452)	-	-	(1,337,452)	(1,324,739)
	8,158,900	-	-	8,158,900	8,479,579
Membership and contributions (includes donated equipment and services of $5,000 in 2011 and $25,488 in 2010)	739,978	10,000	-	749,978	590,062
Bequests and legacies	213,175	-	237,019	450,194	10,026
Received at National Headquarters	134,292	8,589	-	142,881	144,594
Total received directly	9,246,345	18,589	237,019	9,501,953	9,224,261
Received indirectly					
Combined federal campaign	15,933	-	-	15,933	24,006
Federated fundraising organization	77,378	-	-	77,378	100,771
Total received indirectly	93,311	-	-	93,311	124,777
Total public support	9,339,656	18,589	237,019	9,595,264	9,349,038
Revenue					
Investment income	35,292	37	(18,464)	16,865	87,972
Service program fees	5,574	-	-	5,574	21,412
Total revenue	40,866	37	(18,464)	22,439	109,384
Other					
Loss on disposition of furniture and equipment	(20,736)	-	-	(20,736)	-
Net assets released from restrictions	9,092	(9,092)	-	-	-
Total public support and revenue	9,368,878	9,534	218,555	9,596,967	9,458,422
EXPENSES					
Program services					
Research	2,994,482	-	-	2,994,482	2,507,348
Public support to National	1,433,570	-	-	1,433,570	1,581,168
Client programs	1,772,736	-	-	1,772,736	1,363,716
Community programs	898,327	-	-	898,327	972,156
Professional education and training	112,380	-	-	112,380	175,579
Public education	863,199	-	-	863,199	842,310
Total program services expenses	8,074,694	-	-	8,074,694	7,442,277
Supporting services					
Fundraising	1,495,442	-	-	1,495,442	1,495,638
Management and general	459,647	-	-	459,647	549,684
Total supporting services expenses	1,955,089	-	-	1,955,089	2,045,322
Total expenses	10,029,783	-	-	10,029,783	9,487,599
CHANGE IN NET ASSETS	(660,905)	9,534	218,555	(432,816)	(29,177)
NET ASSETS					
Beginning of year	6,239,327	96,660	290,260	6,626,247	6,655,424
End of year	$ 5,578,422	$106,194	$508,815	$ 6,193,431	$ 6,626,247

See accompanying notes

NATIONAL MULTIPLE SCLEROSIS SOCIETY
GREATER DELAWARE VALLEY CHAPTER

STATEMENT OF ACTIVITIES

Year ended September 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support				
Received directly				
Special events (includes donated materials of $170,178 in 2010 and $181,852 in 2009)	$ 9,804,318	$ -	$ -	$ 9,804,318
Less direct benefits to donor costs	(1,324,739)	-	-	(1,324,739)
	8,479,579	-	-	8,479,579
Membership and contributions (includes donated equipment and services of $25,488 in 2010 and $42,924 in 2009)	590,062	-	-	590,062
Bequests and legacies	10,026	-	-	10,026
Received at National Headquarters	142,864	1,730	-	144,594
Total received directly	9,222,531	1,730	-	9,224,261
Received indirectly				
Combined federal campaign	24,006	-	-	24,006
Federated fundraising organization	100,771	-	-	100,771
Total received indirectly	124,777	-	-	124,777
Total public support	9,347,308	1,730	-	9,349,038
Revenue				
Investment income	72,457	62	15,453	87,972
Service program fees	21,412	-	-	21,412
Total revenue	93,869	62	15,453	109,384
Net assets released from restrictions	309,323	(309,323)	-	-
Total public support and revenue	9,750,500	(307,531)	15,453	9,458,422
EXPENSES				
Program services				
Research	2,507,348	-	-	2,507,348
Public support to National	1,581,168	-	-	1,581,168
Client programs	1,363,716	-	-	1,363,716
Community programs	972,156	-	-	972,156
Professional education and training	175,579	-	-	175,579
Public education	842,310	-	-	842,310
Total program services expenses	7,442,277	-	-	7,442,277
Supporting services				
Fundraising	1,495,638	-	-	1,495,638
Management and general	549,684	-	-	549,684
Total supporting services expenses	2,045,322	-	-	2,045,322
Total expenses	9,487,599	-	-	9,487,599
CHANGE IN NET ASSETS	262,901	(307,531)	15,453	(29,177)
NET ASSETS				
Beginning of year	5,976,426	404,191	274,807	6,655,424
End of year	$ 6,239,327	$ 96,660	$290,260	$ 6,626,247

See accompanying notes

NATIONAL MULTIPLE SCLEROSIS SOCIETY
GREATER DELAWARE VALLEY CHAPTER

STATEMENTS OF CASH FLOWS

Years ended September 30, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (432,816)	$ (29,177)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Net realized and unrealized (gain) loss on investments	14,500	(22,801)
Depreciation	55,677	62,781
Noncash contribution of furniture and equipment	-	(25,489)
Contributions restricted for long-term purposes	(237,019)	-
(Increase) decrease in		
Accounts receivable, special events	(14,368)	(402,632)
Contributions receivable	(10,000)	311,545
Prepaid expenses and other	107,458	(77,724)
Due from National Multiple Sclerosis Society	(8,589)	248,017
Increase (decrease) in		
Due to National Multiple Sclerosis Society	31,437	99,443
Accounts payable and accrued expenses	161,818	58,685
Deferred revenue	(459,503)	268,643
Other liabilities	76,186	-
Net cash provided by (used for) operating activities	(715,219)	491,291
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from investments	1,453,997	671,252
Acquisition of furniture and equipment	(231,432)	(1,272)
Net cash provided by investing activities	1,222,565	669,980
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term obligations	(59,679)	(27,396)
Increase in cash	447,667	1,133,875
CASH		
Beginning of year	2,407,965	1,274,090
End of year	$2,855,632	$2,407,965
SUPPLEMENTAL INFORMATION		
Interest paid	$ 1,122	$ 1,816

See accompanying notes

NATIONAL MULTIPLE SCLEROSIS SOCIETY
GREATER DELAWARE VALLEY CHAPTER

STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2011 with comparative totals for 2010

			Program Services		
	Research	**National Activities**	**Client Programs**	**Community Programs**	**Professional Education and Training**
Salaries	$ -	$ -	$ 543,053	$442,814	$ 59,736
Employee benefits	-	-	76,756	62,588	8,443
Payroll taxes	-	-	47,573	38,792	5,233
Total salaries and related expenses	-	-	667,382	544,194	73,412
Printing	-	-	49,548	5,340	1,271
Postage and shipping	-	-	8,199	3,967	820
Telephone	-	-	20,791	7,217	973
Supplies	-	-	9,835	6,984	942
Dues and memberships	-	-	4,513	3,453	466
Professional and other contract service fees	-	-	250,844	124,778	20,860
Travel	-	-	21,958	9,174	620
Meetings	-	-	41,509	6,729	2,828
Occupancy	-	-	93,244	42,665	5,756
Furniture and equipment	-	-	14,051	10,263	1,384
Insurance	-	-	9,160	7,470	1,008
Awards and grants	-	-	-	110,970	-
Direct financial assistance	-	-	563,035	-	-
Prizes and other promotional items	-	-	-	-	-
Miscellaneous expense	-	-	5,305	4,227	570
Depreciation	-	-	13,362	10,896	1,470
Discretionary contributions to National for research and other activities (***See Note 9***)	1,377,902	-	-	-	-
Functionalized National program expense (***See Note 9***)	1,616,580	-	-	-	-
Total expenses before public support to National	2,994,482	-	1,772,736	898,327	112,380
Public support to National (***See Note 9***)	-	1,433,570	-	-	-
Total expenses	$2,994,482	$1,433,570	$1,772,736	$898,327	$112,380
Less: Direct benefit to donor expenses					
Total expenses as reported on the statement of activities					

See accompanying notes

		Supporting Services				Totals	
Public Education	Total Program Services	Fund Raising	Management and General	Total Program and Supporting Services	Benefit To Donor Costs	2011	2010
$488,295	$1,533,898	$ 435,574	$293,249	$ 2,262,721	$ -	$ 2,262,721	$ 2,302,392
69,016	216,803	61,565	41,448	319,816	-	319,816	414,270
42,776	134,374	38,157	25,689	198,220	-	198,220	193,223
600,087	1,885,075	535,296	360,386	2,780,757	-	2,780,757	2,909,885
35,496	91,655	257,232	2,932	351,819	-	351,819	308,013
4,273	17,259	85,335	2,526	105,120	-	105,120	132,513
7,958	36,939	13,017	4,779	54,735	-	54,735	55,439
7,701	25,462	10,873	4,625	40,960	31,587	72,547	67,994
3,807	12,239	6,601	2,287	21,127	-	21,127	9,097
110,280	506,762	323,701	26,216	856,679	-	856,679	918,447
5,064	36,816	39,745	3,042	79,603	647,670	727,273	675,977
5,255	56,321	11,772	2,839	70,932	12,588	83,520	87,778
47,047	188,712	41,968	28,255	258,935	391,600	650,535	493,054
11,317	37,015	10,095	6,797	53,907	-	53,907	34,979
8,237	25,875	7,347	4,947	38,169	-	38,169	52,351
-	110,970	-	-	110,970	-	110,970	-
-	563,035	-	-	563,035	-	563,035	304,862
-	-	-	-	-	232,583	232,583	373,022
4,662	14,764	141,742	2,800	159,306	21,424	180,730	219,630
12,015	37,743	10,718	7,216	55,677	-	55,677	62,781
-	1,377,902	-	-	1,377,902	-	1,377,902	944,179
-	1,616,580	-	-	1,616,580	-	1,616,580	1,581,169
863,199	6,641,124	1,495,442	459,647	8,596,213	1,337,452	9,933,665	9,231,170
-	1,433,570	-	-	1,433,570	-	1,433,570	1,581,168
$863,199	$8,074,694	$1,495,442	$459,647	$10,029,783	$1,337,452	11,367,235	10,812,338
						(1,337,452)	(1,324,739)
						$10,029,783	$ 9,487,599

NATIONAL MULTIPLE SCLEROSIS SOCIETY
GREATER DELAWARE VALLEY CHAPTER

STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2010

			Program Services		
	Research	**National Activities**	**Client Programs**	**Community Programs**	**Professional Education and Training**
Salaries	$ -	$ -	$ 476,595	$441,138	$ 81,505
Employee benefits	-	-	85,754	79,374	14,665
Payroll taxes	-	-	39,997	37,022	6,840
Total salaries and related expenses	-	-	602,346	557,534	103,010
Printing	-	-	14,747	4,087	7,926
Postage and shipping	-	-	9,866	4,066	2,576
Telephone	-	-	12,580	8,967	1,652
Supplies	-	-	5,296	4,887	986
Dues and memberships	-	-	1,883	1,743	1,920
Professional and other contract service fees	-	-	286,188	294,362	6,980
Travel	-	-	13,186	11,566	2,120
Meetings	-	-	14,250	10,659	34,651
Occupancy	-	-	44,380	41,079	7,590
Furniture and equipment	-	-	7,241	6,702	1,238
Insurance	-	-	10,831	10,025	1,852
Direct financial assistance	-	-	304,862	-	-
Prizes and other promotional items	-	-	-	-	-
Miscellaneous expense	-	-	5,064	4,450	856
Depreciation	-	-	12,996	12,029	2,222
Discretionary contributions to National for research and other activities (***See Note 9***)	926,179	-	18,000	-	-
Functionalized National program expense (***See Note 9***)	1,581,169	-	-	-	-
Total expenses before public support to National	2,507,348	-	1,363,716	972,156	175,579
Public support to National (***See Note 9***)	-	1,581,168	-	-	-
Total expenses	$2,507,348	$1,581,168	$1,363,716	$972,156	$175,579
Less: Direct benefit to donor expenses					
Total expenses as reported on the statement of activities					

See accompanying notes

		Supporting Services				
Public Education	Total Program Services	Fund Raising	Management and General	Total Program and Supporting Services	Benefit To Donor Costs	Total
$485,805	1,485,043	$ 468,537	$348,812	$2,302,392	$ -	$ 2,302,392
87,411	267,204	84,304	62,762	414,270	-	414,270
40,770	124,629	39,321	29,273	193,223	-	193,223
613,986	1,876,876	592,162	440,847	2,909,885	-	2,909,885
38,928	65,688	240,775	1,550	308,013	-	308,013
4,116	20,624	109,250	2,639	132,513	-	132,513
9,845	33,044	15,326	7,069	55,439	-	55,439
6,232	17,401	9,258	3,851	30,510	37,484	67,994
322	5,868	1,851	1,378	9,097	-	9,097
66,863	654,393	240,909	23,145	918,447	-	918,447
11,157	38,029	31,100	8,011	77,140	598,837	675,977
9,030	68,590	13,430	2,457	84,477	3,301	87,778
45,238	138,287	43,630	32,481	214,398	278,656	493,054
7,381	22,562	7,118	5,299	34,979	-	34,979
11,068	33,776	10,648	7,927	52,351	-	52,351
-	304,862	-	-	304,862	-	304,862
-	-	-	-	-	373,022	373,022
4,897	15,267	167,405	3,519	186,191	33,439	219,630
13,247	40,494	12,776	9,511	62,781	-	62,781
-	944,179	-	-	944,179	-	944,179
-	1,581,169	-	-	1,581,169	-	1,581,169
842,310	5,861,109	1,495,638	549,684	7,906,431	1,324,739	9,231,170
-	1,581,168	-	-	1,581,168	-	1,581,168
$842,310	$7,442,277	$1,495,638	$549,684	$9,487,599	$1,324,739	10,812,338
						(1,324,739)
						$ 9,487,599

(1) ORGANIZATION

National Multiple Sclerosis Society, Greater Delaware Valley Chapter (the ***"Chapter"***) is a Pennsylvania nonprofit corporation organized for the purpose of stimulating, coordinating, and supporting the research program of the National Multiple Sclerosis Society (***"National Headquarters"***); obtaining and disseminating in the Greater Delaware Valley information about the causes, prevention, alleviation, and cure of multiple sclerosis and other diseases of the nervous system; and providing direct assistance, counseling, therapy, equipment, transportation, and information to patients within the Greater Delaware Valley.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation

The Chapter reports information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted net assets

Net assets that are not subject to donor-imposed restrictions and, therefore, 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

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Chapter and/or the passage of time. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets

Net assets that are subject to donor-imposed restrictions that such assets be maintained in perpetuity but permit the Chapter to expend all or a portion of the income derived from the donated assets.

Accounting Estimates

In preparing financial statements in conformity with U.S. generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Fair Value Measurements of Assets and Liabilities

Generally accepted accounting principles (***"GAAP"***) define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Chapter. Unobservable inputs reflect the Chapter's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Chapter has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the Chapter's own assumptions.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value, as determined by quoted market prices, with gains and losses included in the statements of activities. Donated securities are recorded as contributions at their fair value at date of gift. Dividend and interest income is recorded as earned.

The Chapter invests in a professionally-managed portfolio that contains various types of securities ***(See Note 3)***. Such investments are exposed to market and credit risks. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term would materially affect investment balances and the amounts reported in the financial statements.

Furniture and Equipment

Furniture and equipment is recorded at cost. Donated furniture and equipment is recorded as contributions at fair value as of the date of receipt. Depreciation is computed on the straight-line basis over estimated useful lives of the assets. The Chapter capitalizes all furniture and equipment with a cost in excess of $500.

Beneficial Interest in Perpetual Trust

The beneficial interest in perpetual trust is reported at fair market value and is equal to the Chapter's share of the assets in the trust.

Revenue and Support

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

During 2011 and 2010, the Chapter received approximately 77% and 81% of its total public support and revenue in connection with two special events.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions. Donor-restricted contributions whose restrictions are satisfied in the same period are reported as unrestricted support.

Unconditional contributions are recognized as revenue when the related promise to give is received. Conditional contributions are recognized as revenue when the conditions are satisfied.

Donated Services and Materials

The Chapter recognizes revenue for donated services received when they require specialized skills which would need to be purchased if they were not donated. Donated services are recorded as both revenue and expenses in the accompanying statements of activities and functional expenses at their estimated value at the date of receipt. The Chapter received donated services of $5,000 in 2011 and $25,488 in 2010.

The Chapter also receives a significant amount of donated time from a substantial number of volunteers without compensation for its various program and supporting services. The financial statements do not reflect the value of these contributed services since they do not meet the criteria for recognition.

The Chapter receives donated materials, consisting primarily of food and beverages, in connection with its special events. The donated materials are recorded as both public support and expenses in the accompanying statements of activities and functional expenses at their estimated value on the date of receipt. The Chapter received donated materials of $198,002 in 2011 and $170,178 in 2010.

Functional Allocation of Expenses

The costs of providing the program and supporting services have been presented on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Income Tax Status

The Chapter qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and no liability or provision for federal income taxes is included in the accompanying financial statements.

Effective October 1, 2009, the Chapter adopted a new accounting standard regarding uncertain tax positions. The new standard prescribes a minimum threshold that a tax position is required to meet in order to be recognized in the financial statements. The Chapter believes that it had no uncertain tax positions as defined in the standard and, as a result, the adoption of the new standard had no impact on the Chapter's financial statements.

Concentrations of Credit Risk

Financial instruments which potentially subject the Chapter to concentration of credit risk are cash, accounts receivable and contributions receivable. The Chapter maintains its cash and investments in accounts at various banks and financial institutions. At times, these accounts may exceed federally-insured limits. The Chapter has not experienced any losses in its cash and investment accounts and the Chapter believes that it is not exposed to significant credit risk. Accounts and contributions receivable at September 30, 2011 are expected to be collected in 2012.

Reclassifications

Certain items in the 2010 financial statements have been reclassified in order to conform to the 2011 presentation.

(3) INVESTMENTS

Investments at September 30, 2011 and 2010 consisted of the following:

	2011	2010
Money market funds	$1,679,975	$1,292,350
Certificates of deposit	-	250,824
U.S. Government obligations	-	1,599,644
Common stocks	432,423	329,820
Mutual funds		
Fixed income	989,093	995,039
Equity	17,976	120,287
	$3,119,467	$4,587,964

Investment income consisted of the following:

	2011	2010
Interest and dividends	$ 31,365	$65,171
Net realized and unrealized gain (loss)	(14,500)	22,801
	$ 16,865	$87,972

The portion of investments that is unrestricted is classified as a current asset in the accompanying statements of financial position. The portion of investments that is temporarily or permanently restricted is classified as a noncurrent asset in the accompanying statements of financial position.

(4) LONG-TERM OBLIGATIONS

Long-term obligations at September 30, 2010 consisted of a capital lease for office equipment that was paid off in 2011.

(5) PENSION PLAN

The Chapter sponsors a 401(k) Plan (the ***"Plan"***), which covers substantially all of its employees. Under the provisions of the Plan, the employees may defer from federal income tax a percentage of their compensation not to exceed the limitations specified in the applicable section of the Internal Revenue Code. Employer contributions are determined annually by the Board of Trustees. The Chapter made matching contributions equal to 100% of the employees' contributions to a maximum of 5% of compensation in 2011 and 2010. The Chapter may also make discretionary contributions to the Plan. The Chapter did not make any discretionary contributions to the Plan for 2011 and 2010. Pension expense, which is included in employee health and retirement benefits in the accompanying statements of functional expenses, was $62,676 for 2011 and $94,418 for 2010.

(6) LEASES

During 2011, the Chapter relocated its office facility to another location in Philadelphia, Pennsylvania under a non-cancelable lease agreement that expires December 2021. The provisions of the lease (a) allow the Chapter to extend the term of the lease for one additional five-year term, (b) require the Chapter to pay for its share of operating expenses in addition to the base rent, and (c) include scheduled rent increases which are being recognized on a straight line basis over the lease term. As a result, for 2011, the rent expense exceeded the amount paid by $76,186 and this excess is reported as ***"deferred rent"*** in the accompanying 2011 statement of financial position. The Chapter also leases warehouse space under a non-cancelable lease that expires August 2015. Rent expense for the office and warehouse facilities, inclusive of operating expenses, was $258,935 for 2011 and $214,398 for 2010.

During 2011, the Chapter also entered into two non-cancelable leases for office equipment that expire June 2014 and April 2016, respectively. Rent expense for this equipment was $26,446 for 2011.

The minimum annual lease commitments under all non-cancelable leases with initial or remaining terms in excess of one year are as follows:

Year ending September 30,	
2012	$ 304,311
2013	383,745
2014	385,835
2015	374,768
2016	334,617
Thereafter	1,756,824
	$3,540,100

(7) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2011 and 2010 are available for the following purposes:

	2011			
	Balance September 30, 2010	**Additions**	**Released**	**Balance September 30, 2011**
Purpose Restrictions				
Wellness Program	$43,137	$ -	$5,935	$ 37,202
Gwen Colton Fund	9,813	37	3,157	6,693
Time Restrictions				
Contribution receivable	-	10,000	-	10,000
Charitable remainder trusts held by National Headquarters	43,710	8,589	-	52,299
	$96,660	$18,626	$9,092	$106,194

	2010			
	Balance September 30, 2009	**Additions**	**Released**	**Balance September 30, 2010**
Purpose Restrictions				
Wellness Program	$ 52,790	$ -	$ 9,653	$43,137
Gwen Colton Fund	12,901	62	3,150	9,813
Time Restrictions				
Contribution receivable	296,520	-	296,520	-
Charitable remainder trusts held by National Headquarters	41,980	1,730	-	43,710
	$404,191	$1,792	$309,323	$96,660

(8) PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at September 30, 2011 and 2010 consisted of the following:

	2011	2010
Endowment	$271,796	$290,260
Beneficial interest in perpetual trust	237,019	-
	$508,815	$290,260

The investment income from the endowment can be used by the Chapter for its general purposes. The Chapter has adopted investment and spending policies for its endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of these endowment assets over the long-term. The investment policy establishes an achievable return objective through diversification of asset classes within prudent risk parameters.

As permitted by Pennsylvania statutes, the Chapter has adopted Pennsylvania Act 141 relative to its endowment pursuant to which investment income is defined as a percentage of the three-year average of the fair value of the endowment. According to state law, the percentage must be between 2% and 7%. The percentage determined by the Board of Directors was 7% for 2011 and 2010 and the resulting amount of unrestricted investment income was $20,909 for 2011 and $22,471 for 2010.

The changes in the endowment net assets for 2011 and 2010 were as follows:

Balance at September 30, 2009	$274,807
Investment income	37,924
Withdrawals	(22,471)
Balance at September 30, 2010	290,260
Investment income	2,445
Withdrawals	(20,909)
Balance at September 30, 2011	$271,796

(9) TRANSACTIONS WITH NATIONAL HEADQUARTERS

Prior to 2011, the Chapter was required to remit to National Headquarters 40% of unrestricted contributions, 50% of unrestricted bequests and legacies, and 100% of research-restricted contributions. The Chapter's required remittances to National Headquarters were $3,162,337 for 2010.

In January 2010, National Headquarters' Board of Directors approved a change in the policy for calculating each chapter's National Program Expense effective for the year ending September 30, 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 Headquarters calculates the National Program Expense for each chapter in advance of the fiscal year. The Chapter's National Program Expense is calculated using the average of the previous two years' audited results as the revenue base. The remittance percentage is subject to adjustment each year to ensure that National Headquarters meets its programmatic goals and that all donor restrictions are honored. For the year ended September 30, 2011, the Chapter's National Program Expense was $3,050,150.

The Chapter also participates in the funding of National Headquarters' research campaign, certain specific research grants approved by National Headquarters and other National Headquarters' activities. The Chapter's remittances to National Headquarters in connection with these activities, which were discretionary and resulted from a strategic decision by the Chapter’s Board of Trustees to increase its funding for research, were $1,377,902 for 2011 and $944,179 for 2010.

The Chapter participates in National Headquarters' direct marketing and other programs. In connection with these programs National Headquarters receives contributions on behalf of the Chapter and credits the Chapter for a percentage of the contributions received. The Chapter records the amounts credited by National Headquarters as contributions and includes such amounts in ***"Received at National Headquarters"*** in the accompanying statements of activities. The amounts credited to the Chapter by National Headquarters were $142,881 for 2011 and $144,594 for 2010.

(10) ALLOCATION OF JOINT COSTS

The Chapter incurred joint costs of $275,314 in 2011 and $250,621 in 2010 for information materials and activities that included fundraising appeals. These costs were allocated to the Chapter's various program and supporting services as follows:

	2011	2010
Client programs	$ 5,969	$ 2,156
Community programs	4,867	1,996
Public education	7,597	8,406
Professional education and training	657	369
Fundraising	253,001	237,694
Management and general	3,223	-
	$275,314	$250,621

(11) ASSETS MEASURED AT FAIR VALUE

The following table presents information about the Chapter's assets that are measured at fair value and the valuation inputs used to value them:

	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2011				
Investments				
Money market funds	$1,679,975	$1,679,975	$ -	$ -
Common stocks	432,423	432,423	-	-
Mutual funds	1,007,069	1,007,069	-	-
	3,119,467	3,119,467	-	-
Contributions receivable	10,000	-	10,000	-
Charitable remainder trusts held by National Headquarters	52,299	-	52,299	-
Beneficial interest in perpetual trust	237,019	-	-	237,019
	$3,418,785	$3,119,467	$ 62,299	$237,019

2010	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Money market funds	$1,292,350	$1,292,350	$ -	$ -
Certificates of deposit	250,824	-	250,824	-
U.S. Government obligations	1,599,644	-	1,599,644	-
Common stocks	329,820	329,820	-	-
Mutual funds	1,115,326	1,115,326	-	-
	4,587,964	2,737,496	1,850,468	-
Charitable remainder trusts held by National Headquarters	43,710	-	43,710	-
	$4,631,674	$2,737,496	$1,894,178	$ -

The following table sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the year ended June 30, 2011:

Balance at September 30, 2010	$ -
Contribution	237,019
Balance at September 30, 2011	$ 237,019

(12) SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 29, 2011, the date on which the financial statements were available to be issued. No material subsequent events have occurred since September 30, 2011 that required recognition or disclosure in the financial statements.