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

Independent Auditors' Report
Financial Statements and
Supplementary Information

September 30, 2011 and 2010

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

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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, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Chapter's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McConnell & Jones LLP

Houston, Texas
November 18, 2011

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

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2011 AND 2010

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 7,926,142	$ 6,728,580
Certificates of deposit	108,604	2,000,000
Contributions receivable	355,446	485,785
Contributions receivable from National	64,500	75,500
Prepaid expenses and other assets	267,477	378,304
Total current assets	8,722,169	9,668,169
NONCURRENT ASSETS		
Furniture, fixtures and equipment, net of accumulated depreciation and amortization of $1,150,319 in 2011 and $1,061,947 in 2010	509,630	410,338
Due from National Multiple Sclerosis Society - Charitable Gift Annuities	12,171	15,185
Total noncurrent assets	521,801	425,523
TOTAL ASSETS	$ 9,243,970	$ 10,093,692
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Due to National Multiple Sclerosis Society:		
Remittance due to National	$ -	$ 271,750
Other payables to National	72,322	244,213
Due to other Chapters	-	730
Accrued payable and accrued expenses	803,770	636,893
Accrued compensated absences	434,119	335,741
Deferred revenue	1,687,813	1,491,694
Total current liabilities	2,998,024	2,981,021
TOTAL LIABILITIES	2,998,024	2,981,021
NET ASSETS		
Unrestricted	5,910,682	6,810,832
Temporarily restricted	335,264	301,839
TOTAL NET ASSETS	6,245,946	7,112,671
TOTAL LIABILITIES AND NET ASSETS	$ 9,243,970	$ 10,093,692

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, 2011 AND 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public Support:						
Received Directly:						
Special events (includes in-kind donations of $699,137 in 2011 and $759,255 in 2010)	$ 26,243,814	$ -	$ 26,243,814	$ 24,452,778	$ 185	$ 24,452,963
Less benefit to donor costs	(3,296,857)	-	(3,296,857)	(3,100,987)	-	(3,100,987)
	22,946,957	-	22,946,957	21,351,791	185	21,351,976
Membership and contributions (includes in-kind donations of $33,552 in 2011 and $0 in 2010)	743,183	331,052	1,074,235	503,224	412,503	915,727
Legacies	41,734	-	41,734	430,039	-	430,039
Received at National (other than legacies)	255,855	3,536	259,391	180,533	717	181,250
Total Received Directly	23,987,729	334,588	24,322,317	22,465,587	413,405	22,878,992
Received Indirectly:						
Federated fundraising organizations	73,677	51,391	125,068	55,714	65,501	121,215
Total Received Indirectly	73,677	51,391	125,068	55,714	65,501	121,215
Total Public Support	24,061,406	385,979	24,447,385	22,521,301	478,906	23,000,207
Other Revenue:						
Investment income	17,940	-	17,940	17,700	-	17,700
Service program fees	-	28,067	28,067	-	8,742	8,742
Miscellaneous income:						
Insurance proceeds	4,690	-	4,690	4,725	-	4,725
Subsidies - Home Office	-	4,100	4,100	-	-	-
Total miscellaneous income:	4,690	4,100	8,790	4,725	-	4,725
Total Other Revenue	22,630	32,167	54,797	22,425	8,742	31,167
Net assets released from restrictions	513,721	(513,721)	-	455,889	(455,889)	-
Total Revenue	$ 24,597,757	$ (95,575)	$ 24,502,182	$ 22,999,615	$ 31,759	$ 23,031,374

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, 2011 AND 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Expenses:						
Program services:						
Research	$ 7,598,178	$ -	$ 7,598,178	$ 6,887,748	$ -	$ 6,887,748
National activities	4,080,599	-	4,080,599	3,787,367	-	3,787,367
Client programs	4,397,863	-	4,397,863	3,351,342	-	3,351,342
Community programs	1,825,855	-	1,825,855	1,876,491	-	1,876,491
Professional education and training	494,024	-	494,024	511,822	-	511,822
Public education	1,783,467	-	1,783,467	1,305,225	-	1,305,225
Total program services	20,179,986	-	20,179,986	17,719,995	-	17,719,995
Supporting services:						
Fund-raising	4,554,839	-	4,554,839	3,090,197	-	3,090,197
Management and general	1,122,121	-	1,122,121	1,162,305	-	1,162,305
Total supporting services:	5,676,960	-	5,676,960	4,252,502	-	4,252,502
Total expenses	25,856,946	-	25,856,946	21,972,497	-	21,972,497
Change in net assets excluding the effects of consolidation	(1,259,189)	(95,575)	(1,354,764)	1,027,118	31,759	1,058,877
Net assets acquired through consolidation with other Chapters (Note 15)	359,039	129,000	488,039	-	10,211	10,211
Total change in net assets	(900,150)	33,425	(866,725)	1,027,118	41,970	1,069,088
Net assets, beginning of year	6,810,832	301,839	7,112,671	5,783,714	259,869	6,043,583
Net assets, end of year	$ 5,910,682	$ 335,264	$ 6,245,946	$ 6,810,832	$ 301,839	$ 7,112,671

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	Benefit To Donor Costs	Total
Salaries	$ -	$ -	$ 1,756,240	$ 686,627	$ 289,270	$ 1,015,883	$ 3,748,020	$ 1,846,208	$ 653,514	$ 2,499,722	$ -	$ 6,247,742
Employee benefits	-	-	350,102	136,877	57,665	202,514	747,158	368,037	130,276	498,313	-	1,245,471
Payroll taxes	-	-	141,999	55,517	23,389	82,138	303,043	149,274	52,839	202,113	-	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	3,200,148	-	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	236,131	-	412,130
Postage and shipping	-	-	49,808	8,890	6,162	45,158	110,018	82,625	6,882	89,507	-	199,525
Telephone	-	-	73,054	23,225	9,489	32,300	138,068	63,693	21,905	85,598	-	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	46,389	420,309	539,386
Dues and memberships	-	-	3,531	2,302	752	2,042	8,627	8,983	1,314	10,297	-	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	485,178	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	259,004	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	153,522	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	352,279	140,060	989,541
Furniture and equipment	-	-	52,519	20,533	8,650	30,379	112,081	55,479	19,543	75,022	-	187,103
Insurance (Property and Casualty)	-	-	24,933	9,748	4,107	14,422	53,210	26,211	9,278	35,489	-	88,699
Awards and grants	-	-	-	559,444	-	-	559,444	-	-	-	-	559,444
Direct financial assistance	-	-	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	19,637	698,015	719,586
Bank and credit card charges	-	-	19,948	7,799	3,286	11,539	42,572	559,931	7,423	567,354	-	609,926
Miscellaneous expense	-	-	6,124	2,321	978	3,433	12,856	13,186	2,209	15,395	2,235	30,486
Depreciation & amortization	-	-	32,325	12,638	5,324	18,698	68,985	33,981	12,029	46,010	-	114,995
Restricted contributions to National for research	2,996,651	-	-	-	-	-	2,996,651	-	-	-	-	2,996,651
Functionalized National program expense	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	5,676,960	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	$ 5,676,960	$ 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)

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2010

	Program Activities							Supporting Services				
	Research	National Activities	Client Programs	Community Programs	Professional Education and Training	Public Education	Total	Fund Raising	Management and General	Total	Benefit to Donor Costs	Total
Salaries	$ -	$ -	$ 1,437,941	$ 904,306	$ 306,758	$ 719,758	$ 3,368,763	$ 1,074,208	$ 748,454	$ 1,822,662	$ -	$ 5,191,425
Employee benefits	-	-	191,918	120,695	40,942	96,064	449,619	143,371	99,300	242,671	-	692,290
Payroll taxes	-	-	123,820	77,869	26,415	61,978	290,082	92,499	64,406	156,905	-	446,987
Total salaries and related expenses	-	-	1,753,679	1,102,870	374,115	877,800	4,108,464	1,310,078	912,160	2,222,238	-	6,330,702
Printing (Includes total in-kind expenses of $37,942)	-	-	47,320	12,987	8,136	102,588	171,031	236,582	9,605	246,187	-	417,218
Postage and shipping (Includes total in-kind expenses of $5,756)	-	-	38,532	5,184	3,395	27,330	74,441	59,106	3,989	63,095	-	137,536
Telephone	-	-	58,908	28,397	8,437	21,218	116,960	35,114	23,224	58,338	-	175,298
Supplies (Includes in-kind expenses of $27,114)	-	-	43,609	14,357	8,509	11,207	77,682	46,575	11,361	57,936	417,643	553,261
Dues and memberships	-	-	1,604	1,911	522	1,960	5,997	4,938	738	5,676	-	11,673
Professional and other Contract Service fees	-	-	389,605	48,608	17,424	88,789	544,426	380,156	23,367	403,523	310,985	1,258,934
Travel (Includes in-kind expenses of $480,546)	-	-	74,747	22,439	12,942	18,417	128,545	198,206	11,610	209,816	1,526,177	1,864,538
Meetings (Includes in-kind expenses of $77,563)	-	-	183,201	12,658	22,095	16,388	234,342	140,591	10,860	151,451	58,697	444,490
Occupancy (Includes in-kind expenses of $50,110)	-	-	187,413	115,619	35,637	88,350	427,019	190,500	98,493	288,993	135,026	851,038
Furniture & equipment	-	-	34,763	21,446	6,610	16,388	79,207	24,184	18,269	42,453	-	121,660
Insurance (Property and Casualty)	-	-	27,369	16,885	5,204	12,902	62,360	18,914	14,384	33,298	-	95,658
Awards and grants	-	-	-	440,409	-	-	440,409	-	-	-	-	440,409
Direct financial assistance (Includes in-kind expenses of $18,697)	-	-	463,709	4,170	-	-	467,879	-	-	-	-	467,879
Prizes and promotional items (Includes in-kind expenses of $61,527)	-	-	-	-	-	-	-	-	-	-	650,195	650,195
Bank and credit card charges	-	-	11,286	6,962	2,146	5,320	25,714	413,870	5,931	419,801	-	445,515
Miscellaneous expense	-	-	4,062	2,135	654	1,702	8,553	9,590	1,741	11,331	2,265	22,149
Depreciation & amortization	-	-	31,535	19,454	5,996	14,866	71,851	21,793	16,573	38,366	-	110,217
Restricted contributions to National for research	3,100,380	-	-	-	-	-	3,100,380	-	-	-	-	3,100,380
Functionalized National program expense	3,787,368	-	-	-	-	-	3,787,368	-	-	-	-	3,787,368
Total expenses before Public Support to National	6,887,748	-	3,351,342	1,876,491	511,822	1,305,225	13,932,628	3,090,197	1,162,305	4,252,502	3,100,988	21,286,118
Public Support to National	-	3,787,367	-	-	-	-	3,787,367	-	-	-	-	3,787,367
Total expenses	$ 6,887,748	$ 3,787,367	$ 3,351,342	$ 1,876,491	$ 511,822	$ 1,305,225	$ 17,719,995	$ 3,090,197	$ 1,162,305	$ 4,252,502	$ 3,100,988	25,073,485
Less Direct Benefit to Donor Costs												(3,100,988)
Total expenses as reported on the statement of activities												$ 21,972,497

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, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (866,725)	$ 1,069,088
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	114,996	110,217
Net value of property and equipment acquired by consolidation	(14,387)	(13,942)
Changes in operating assets and liabilites:		
Decrease (increase) in contributions receivable	141,339	(150,103)
Decrease (increase) in due from National	3,014	(1,210)
Decrease (increase) in prepaid expenses and other assets	110,827	(37,298)
Increase in accounts payable and accrued expenses	265,255	25,459
(Decrease) increase in due to National	(444,371)	243,664
Increase in deferred revenue	196,119	136,934
Total adjustment	372,792	313,721
Net cash (used in) provided by operating activities	(493,933)	1,382,809
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of certificates of deposit	(3,112,196)	(4,002,395)
Redemption of certificates of deposit	5,003,592	2,002,395
Purchases of furniture, fixtures and equipment	(199,901)	(34,277)
Net cash provided by (used in) investing activities	1,691,495	(2,034,277)
Net increase in cash and cash equivalents	1,197,562	(651,468)
Cash and cash equivalents, beginning of year	6,728,580	7,380,048
Cash and cash equivalents, end of year	$ 7,926,142	$ 6,728,580

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

NATIONAL MULTIPLE SCLEROSIS SOCIETY
South Central Chapter

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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

The South Central Chapter (the "Chapter") of the National Multiple Sclerosis Society ("National" or the "Society") is a nonprofit voluntary health agency serving persons with multiple sclerosis and their families in five hundred and two counties and parishes in Arkansas, Louisiana, New Mexico, Oklahoma and Texas. The purpose of the Chapter is to raise funds to support research efforts, provide direct services to persons with multiple sclerosis (MS) and their families, and educate the public and professional community about MS and the needs of people with MS. The Chapter is headquartered in Houston and has offices throughout Texas in Amarillo, Austin, San Antonio, Corpus Christi, Fort Worth, Dallas, Midland and Lubbock. The Chapter also has offices in Little Rock, Arkansas; New Orleans, Louisiana; Albuquerque, New Mexico; Tulsa, Oklahoma; and Oklahoma City, Oklahoma.

Basis of Accounting

The financial statements of the Chapter have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation and Net Asset Classifications

The Chapter's financial statements are presented in accordance with the requirement of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-205, *Financial Statements of Not-for-Profit Organizations*, and report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets: These 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 programs or supporting services.
- Temporarily restricted net assets: These are comprised of funds which are restricted by donors for specific purposes or use in specific time frames. The restrictions are satisfied either by the passage of time or by actions of the Chapter.
- Permanently restricted net assets: These 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. As of September 30, 2011 and 2010, the Chapter did not have any permanently restricted net assets.

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 FASB ASC 958-205 to present a statement of functional expenses and a statement of cash flows.

Contributions and Promises to Give

In accordance with FASB ASC Topic 958-605, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily restricted or permanently restricted net assets in the reporting period in which the support is recognized. When a restriction expires by the satisfaction of either the purpose or time restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions. Conditional promises to give are not included as support until the conditions are substantially met.

Revenue Recognition and Deferred Revenue

Income from contributions and donations are recognized when received or unconditionally promised (pledged) by a third party. Income from legacies and bequests are recognized when an unassailable right to the gift has been established by the court and the proceeds are measurable in amount. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. Event registration fees and payments received in advance from participants are recorded as deferred revenues since such receipts may be refunded to the payers if the events do not hold. Pledges by third parties to register or pay to participate in any of the Chapter's upcoming fundraising events are not considered promises to give and are not recognized as revenues since such pledges do not impose obligations on intending participants to register and pay for the events. Interest income is recognized when earned based on the passage of time, and unrealized gains and losses are recognized based on the fair value of the underlying assets as of the measurement date.

Donated Materials and Services

Donated materials and equipment (in-kind contributions) are reported as contributions in the accompanying financial statements at their estimated fair values at date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose, and as corresponding expenses. The Chapter recognizes donated services that create or enhance non-financial assets or that require specialized skills, and would typically need to be purchased if not provided by donors, as established by FASB ASC Topic 958-605. The Chapter received contributions in the form of goods and services totaling $732,689 and $759,255 primarily related to special events for the years ended September 30, 2011 and 2010, respectively, based on the criteria established by FASB ASC Topic 958-605.

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 FASB ASC Topic 958-605.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Chapter considers all 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 five institutions and four institutions, respectively. Cash equivalents included in cash and cash equivalents at September 30, 2011 and 2010 amounted to $7,926,142 and $5,965,316, respectively.

Furniture, Fixtures and Equipment

Furniture and equipment are stated at cost, or if donated, at their fair value on the date received. The Chapter follows the policy of capitalizing all expenditures for property and equipment with a value of $1,000 or greater. Leasehold improvements are amortized over the lease periods using the straight-line method. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates relate primarily to useful lives used in asset depreciation, fair values used to record in-kind contributions, and the functional allocation of expenses. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Financial instruments consist primarily of cash and cash equivalents, certificate of deposits, accounts receivable, and trade payables, all of which are stated at cost which approximates fair value.

Research and National Activities Expense

In January 2010, the Society's National Board of Directors approved a change in the policy for calculating each chapter's national program expense effective fiscal year 2011 (FY 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. A 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 FY 2011, the Chapter's National Program Expense under the new policy was calculated to be $8,682,126. By setting the Chapter's National Program Expense in advance, the chapters and the national organization are in a better position to control resources through their respective budgeting and planning processes.

The Chapter participates in National's direct marketing program. Unrestricted public support received under the program by National 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 from National in the accompanying statements of activities.

In addition to the fixed amount of National Program Expense for FY 2011, the Chapter made an additional contribution of $2,996,651 to National, which was earmarked for Research.

Prepaid Expenses

Expenses associated with future events are recorded as prepaid expenses until the events occur.

Functional Allocation

The costs of providing the various programs and activities of the Chapter, which are not directly attributable to specific programs or support services, have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited on the basis of personnel time and efforts devoted to those functions.

New Accounting Pronouncements

In January 2010, the FASB issued Accounting Standards Update ("ASU") No. 2010-06, *Improving Disclosures about Fair Value Measurements*. ASU 2010-06 amends ASC 820 to improve and expand fair value disclosures. Newly required disclosures are as follows: 1) information about transfers in and out of Levels 1 and 2, including reasons for such transfers; 2) details of activities in Level 3 assets including information about purchases, sales, issuances, and settlements; and, 3) fair value measurements for each class of assets and liabilities. ASU 2010-06 also clarifies existing disclosures on inputs and valuation techniques, where a reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements that fall in either Level 2 or Level 3. The new disclosures and clarifications of existing disclosures became effective in fiscal year 2011, except for disclosures about purchases, sales, issuances, and settlements, which will become effective in fiscal year 2012. Management has determined that this new standard does not significantly affect the Chapter's financial statements.

In February 2010, FASB issued ASU 2010-09 - Subsequent Events (Topic 855), *Amendments to Certain Recognition and Disclosure Requirements*, which established principles and requirements for subsequent events and applies to accounting for and disclosure of subsequent events not addressed in other applicable GAAP. The Chapter has made the required disclosures in Note 16.

In May 2011, the FASB issued ASU 2011-04 – Fair Value Measurements (Topic 820), *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and IFRSs*, which changes the wording used to describe many of the requirements in US GAAP for measuring fair value and for disclosing information about the application of existing fair value measurements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The amendments will be effective for the Chapter's 2012

annual financial statements. Management does not anticipate that these new requirements will significantly affect the Chapter's financial statements.

Reclassification

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. These reclassifications had no effect on net earnings.

2. TAX EXEMPT STATUS

National Multiple Sclerosis Society is a not-for-profit voluntary health agency exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. Accordingly, the Society is not required to pay income taxes. Additionally, since the Chapter is publicly supported, contributions to the Chapter qualify for the maximum charitable contributions deduction under Section 170 of the Internal Revenue Code. The Chapter is also exempt from state franchise taxes.

The Chapter applies the provisions of FASB ASC 740-10 (formerly known as FASB Interpretation No. 48), *Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC Topic 740-10 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Chapter believes that it has appropriate support for any tax positions taken, and as such, has not taken any uncertain tax positions that are material to the financial statements or should be accounted for under ASC Section 740-10.

3. PROGRAMS 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.

4. CONDITIONAL PROMISES 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, 2011, and 2010 amounted to $330,000 and $560,000, respectively.

5. FURNITURE, FIXTURES AND EQUIPMENT

The following is a summary of furniture, fixtures and equipment, at cost, less accumulated depreciation and amortization:

	2011	2010
Furniture and fixtures	$ 254,587	$ 271,552
Equipment	445,599	274,108
Computers	266,593	243,834
Leasehold improvements	693,170	682,791
	1,659,949	1,472,285
Less: accumulated depreciation and amortization	1,150,319	1,061,947
Total	$ 509,630	$ 410,338

Depreciation and amortization expense charged to operations for 2011 and 2010 was $114,995 and $110,217, respectively.

6. LEASES

The Chapter leases administrative facilities for its office locations under operating leases ranging in terms from one to seven years (with renewal options). Minimum future rental payments under these Non-cancelable operating leases as of September 30, 2011 are as follows:

Years Ending September 30,	Amount
2012	$ 462,575
2013	404,426
2014	310,138
2015	255,508
2016	39,544
Thereafter	-
	$ 1,472,191

The total rental expense of the Chapter's offices was $659,235 and $522,603 for the years ended September 30, 2011 and 2010, respectively.

7. COMPENSATED ABSENCES

Full time employees earn annual leave at between 2.5 and 3.34 days per month depending on their job title and years of service. Part time employees earn annual leave at the rate of 1.33 days per month. Full time employees can carry forward a maximum of 10 earned leave days (5 earned leave days for part time employees) into the following calendar year. Liabilities for compensated absences have been included in the statements of financial position as of September 30, 2011 and 2010.

8. PENSION PLAN

The Chapter participates in a noncontributory defined contribution pension plan administered by National. The plan covers substantially all eligible employees of the Chapter. Employees are eligible when they have attained the age of 21 and have worked a minimum number of hours, depending on the employee's classification. Employees must be employed by the Chapter on September 30 in order to receive contributions for that year. Employees are fully vested at the end of five years. National makes contributions to the plan. The Chapter's contributions for the years ended September 30, 2011 and 2010 were 3% and 0%, respectively, of participant's gross earnings for the fiscal year, as determined by National's Chief Executive Officer. The pension expense incurred by the Chapter related to this plan for the years ended September 30, 2011 and 2010 was $110,080 and $0, respectively.

9. TEMPORARILY RESTRICTED NET ASSETS AND NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets consist of contributions received for future events as specified by the donors. Temporarily restricted net assets at September 30, 2011 and 2010 were $335,264 and $301,839, respectively, comprised of $277,843 and $145,942, respectively, restricted by purpose and $57,421 and $155,897, respectively, restricted by passage of time. Net assets amounting to $513,721 and $455,889 for the years ended September 30, 2011 and 2010, respectively, were released from donor restrictions upon the satisfaction of the purpose or time restrictions.

10. CONTRIBUTIONS RESTRICTED FOR LOCAL USE

During the fiscal years ended September 30, 2011 and 2010, the Chapter received contributions of $1,697,599 and $1,375,587, respectively, to be used solely for 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. CONCENTRATION OF CREDIT RISK

The Chapter maintains deposit and money market accounts with financial institutions. As of September 30, 2011 and 2010, the total balance in these accounts amounted to $8,567,804 and $6,899,730, respectively. Of these amounts, $5,359,608 and $6,320,128 were covered by FDIC at September 30, 2011 and 2010, respectively. The remaining amounts of $3,208,196 and $579,602 for fiscal years 2011 and 2010, respectively, did not qualify for FDIC insurance coverage and were subject to custodial risks. The $3,208,196 for fiscal year 2011 represents funds deposited in a money market fund not covered by FDIC insurance. The money market fund met the requirements outlined in the Cash Management Policy approved by the Chapter's Finance Committee and Board of Trustees.

12. OTHER RELATED PARTY TRANSACTIONS

The Chapter purchased public relation services and event supplies from companies affiliated with Board members of the Chapter. The Chapter also held funds in a financial institution affiliated with a Board member of the Chapter and supported MS clinics affiliated with Board members of the Chapter. Total payments made to related parties were $334,990 and $528,934 for fiscal years ended September 30, 2011 and 2010, respectively. At September 30, 2011 and 2010, $15,282 and $600, respectively, were payable in connection with these related party transactions.

13. ALLOCATION OF JOINT COSTS

In the fiscal years ended September 30, 2011 and 2010, the Chapter incurred joint costs of $8,531 and $32,533, respectively, for informational materials and activities that included fundraising appeals. Such costs were allocated in accordance with the requirements of FASB ASC Topic 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, $8,019 and $30,581 were allocated to fundraising and $512 and $1,952 to public education in fiscal years 2011 and 2010, respectively.

14. ADVERTISING EXPENSES

Advertising expenses totaled $51,223 and $50,136 during the years ended September 30, 2011 and 2010, respectively.

15. CONSOLIDATION WITH OTHER CHAPTERS

At the September 27, 2010 meeting of the Chapter Relations Committee (CRC) of the Society's Board of Directors, the committee unanimously approved the consolidation of the Oklahoma Chapter territory into the South Central Chapter, effective October 1, 2010. The net assets of the Oklahoma Chapter comprising $129,000 of temporarily restricted net assets, and the related assets and liabilities at the date of the consolidation have been included in the South Central Chapter's financial statements for the fiscal year 2011.

At the September 17, 2009 meeting of the CRC of the National Headquarters' Board of Directors, the committee unanimously approved the consolidation of the Lone Star Chapter and the Louisiana Chapter into the South Central Chapter, effective October 1, 2009. The net assets of the Louisiana Chapter comprising $10,211 of temporarily restricted net assets, and the related assets and liabilities as of the date of the consolidation have been included in the South Central Chapter's financial statements for fiscal year 2010.

At the July 23, 2010 meeting of the CRC of the National Multiple Sclerosis Society's Board of Directors, the committee unanimously approved the re-assignment of the territory covered by the Arkansas, Panhandle, Rio Grande and West Texas offices of the All America Chapter to the South Central Chapter effective July 1, 2010. The territories did not have any assets or liabilities on July 1, 2010.

16. SUBSEQUENT EVENT

Management has evaluated subsequent events through November 18, 2011. This was the date the financial statements were available to issue. 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 September 30, 2011 and 2010, and have issued our report thereon dated November 18, 2011, 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 21 through 23 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
November 18, 2011

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

Schedule of Income from Special Events
For the Year Ended September 30, 2011

Event	Sponsorship Cash	Sponsorship In-kind	Total Sponsorship & Other Restricted Income	Campaign Income	Total	Benefit to Donor Costs	Other Direct Costs	Total Costs Less Total Sponsorship
Walk MS	$ 343,235	$ 12,889	$ 356,124	$ 2,715,621	$ 3,071,745	$ 264,855	$ 195,535	$ 104,266
Bike MS	1,231,458	677,209	1,908,667	20,493,907	22,402,574	2,910,019	1,229,205	2,230,557
Mud Run	-	-	-	14,761	14,761	1,583	-	1,583
Dinner of Champions	48,000	1,259	49,259	181,095	230,354	28,822	15,805	(4,632)
Women on the MOVE	19,605	5,300	24,905	184,197	209,102	44,008	24,758	43,861
Leadership Event - Uncorking the Cure	3,700	-	3,700	97,785	101,485	14,046	3,750	14,096
Other Special Events:								
Trivia	6,000	-	6,000	24,976	30,976	4,975	1,758	733
Beef-a-thon	2,500	-	2,500	23,563	26,063	100	4,220	1,820
Renaissance Dinner	-	2,480	2,480	154,050	156,530	28,449	14,025	39,994
Other	-	-	-	224	224	-	-	-
Total Other Special Events	8,500	2,480	10,980	202,813	213,793	33,524	20,003	42,547
Total	$ 1,654,498	$ 699,137	$ 2,353,635	$ 23,890,179	$ 26,243,814	$ 3,296,857	$ 1,489,056	$ 2,432,278

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

SCHEDULE OF AMOUNT DUE NATIONAL MS SOCIETY
SEPTEMBER 30, 2011

REMITTANCE:		
Total FY 2011 National Program Expense per Annual Remittance Invoice	$	8,682,126
Add:		
Research Honor roll contributed from chapter reserves		2,996,651
Total National Program Expense		**11,678,777**
Chapter Payments:		
October 2010 through September 2011		11,701,982
Less Payments for FY 2010		271,750
Total Paid for FY 2011		**11,430,232**
Credits:		
Direct Mail per FY 2011 Annual Remittance Invoice		248,545
Total Credits		**248,545**
Total Payments Credits and Adjustments		**11,678,777**
Balance Due National or (Chapter) for FY 2011		**-**
Remittance Indebtedness:		
Remittance Balance Due National or (Chapter) as of 9/30/2010 (previous yr)		271,750
Less Payments for FY 2010 in current year		(271,750)
Adjusted Balance Due National or (Chapter) for prior years		-
Total Remittance Balance Due National (Chapter) at 9/30/2011	$	-
OTHER PAYABLES TO NATIONAL:		
Migration to Home Office infrastructure	$	51,844
Convio usage fees		9,821
Health insurance		10,613
IRC literature and postage		6,614
Payroll processing		933
Region supplies		6,318
FY 2011 direct mail credit		(10,821)
FY 2011 scholarship credit		(3,000)
TOTAL OTHER PAYABLES TO NATIONAL:	**$**	**72,322**

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

Schedule of Memberships and Contributions
For the Year Ended September 30, 2011

	Unrestricted	Temporarily Restricted	2011 Totals	Amount of In-kind included in Totals
Individual Contributions				
General Gifts	$ 209,718	$ 30,789	$ 240,507	$ 33,552
Major Gifts	12,000	-	12,000	-
Tributes and Memorials	80,337	50	80,387	-
Workplace Giving/United Way	181,468	78,351	259,819	-
Total Individual Contributions	483,523	109,190	592,713	33,552
Corporate Gifts	70,307	25,170	95,477	-
Foundation gifts and grants	71,240	170,728	241,968	-
Community (Third Party) Event Income	118,113	25,964	144,077	-
Grand Total Memberships and Contributions	$ 743,183	$ 331,052	$ 1,074,235	$ 33,552