

NATIONAL MULTIPLE SCLEROSIS SOCIETY; CENTRAL VIRGINIA CHAPTER

Financial Statements

September 30, 2013 and 2012

NATIONAL MULTIPLE SCLEROSIS SOCIETY; CENTRAL VIRGINIA CHAPTER

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Trustees
National Multiple Sclerosis Society;
Central Virginia Chapter
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of National Multiple Sclerosis Society; Central Virginia Chapter, which comprise the statements of financial position as of September 30, 2013 and 2012 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Multiple Sclerosis Society; Central Virginia Chapter as of September 30, 2013 and 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

A handwritten signature in black ink, appearing to read "Keiter", with a stylized, flowing script.

December 19, 2013
Glen Allen, Virginia

NATIONAL MULTIPLE SCLEROSIS SOCIETY; CENTRAL VIRGINIA CHAPTER

Statements of Financial Position
September 30, 2013 and 2012

| <u>Assets</u> | <u>2013</u> | <u>2012</u> |
|-------------------------------------|-------------------|-------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 466,037 | \$ 526,395 |
| Special events receivable | 16,592 | 28,843 |
| Due from home office | 134,883 | - |
| Due from affiliates | 49,275 | 34,926 |
| Prepaid expenses | <u>4,593</u> | <u>2,337</u> |
| Total current assets | <u>671,380</u> | <u>592,501</u> |
| Deposit | 4,140 | 4,140 |
| Due from home office - gift annuity | 1,778 | 1,816 |
| Furniture and equipment - net | <u>27,408</u> | <u>22,752</u> |
| Total assets | <u>\$ 704,706</u> | <u>\$ 621,209</u> |
| <u>Liabilities and Net Assets</u> | | |
| Current liabilities: | | |
| Due to home office | \$ - | \$ 38,032 |
| Accounts payable | 22,477 | 20,244 |
| Accrued expenses | 63,328 | 42,422 |
| Deferred rent | 4,590 | 3,958 |
| Deferred revenue | <u>291,760</u> | <u>215,158</u> |
| Total current liabilities | 382,155 | 319,814 |
| Long-term liabilities: | | |
| Due to home office - long term | - | 71,023 |
| Deferred rent - long term | <u>9,067</u> | <u>13,657</u> |
| Total liabilities | <u>391,222</u> | <u>404,494</u> |
| Net Assets: | | |
| Unrestricted | 308,502 | 206,097 |
| Temporarily restricted | <u>4,982</u> | <u>10,618</u> |
| Total net assets | <u>313,484</u> | <u>216,715</u> |
| Total net assets and liabilities | <u>\$ 704,706</u> | <u>\$ 621,209</u> |

See accompanying notes to financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY; CENTRAL VIRGINIA CHAPTER

Statements of Activities Years Ended September 30, 2013 and 2012

| | 2013 | | | 2012 | | |
|--|--------------|---------------------------|--------------|--------------|---------------------------|--------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| Revenue and other support: | | | | | | |
| Public revenue: | | | | | | |
| Received directly: | | | | | | |
| Special Events (includes in-kind donations of \$32,389 and \$48,605 in 2013 and 2012, respectively) | \$ 1,075,577 | \$ - | \$ 1,075,577 | \$ 1,130,853 | \$ 6,500 | \$ 1,137,353 |
| Less - benefit to donor costs | (151,477) | - | (151,477) | (152,885) | - | (152,885) |
| | 924,100 | - | 924,100 | 977,968 | 6,500 | 984,468 |
| Membership and contributions (includes in-kind donations of \$0 and \$18,420 in 2013 and 2012, respectively) | 97,464 | 59,615 | 157,079 | 77,907 | 25,609 | 103,516 |
| Legacies - received from Chapter | 1,575 | - | 1,575 | 93,954 | - | 93,954 |
| Received at home office (other than legacies) | - | - | - | 20,373 | - | 20,373 |
| | 1,023,139 | 59,615 | 1,082,754 | 1,170,202 | 32,109 | 1,202,311 |
| Total received directly | | | | | | |
| Received indirectly: | | | | | | |
| Combined federal service campaign | 24,694 | - | 24,694 | 14,117 | - | 14,117 |
| Federated fundraising organizations | 6,090 | - | 6,090 | 6,808 | - | 6,808 |
| | 30,784 | - | 30,784 | 20,925 | - | 20,925 |
| Total received indirectly | | | | | | |
| Total public revenue | 1,053,923 | 59,615 | 1,113,538 | 1,191,127 | 32,109 | 1,223,236 |
| Other revenue: | | | | | | |
| Interest income | - | - | - | 2 | - | 2 |
| Service program fees | 2,595 | - | 2,595 | 65 | - | 65 |
| Debt forgiveness by home office | 82,221 | - | 82,221 | - | - | - |
| Miscellaneous income | 131,500 | - | 131,500 | - | - | - |
| | 216,316 | - | 216,316 | 67 | - | 67 |
| Total other revenue | | | | | | |
| Net assets released from restrictions | 65,251 | (65,251) | - | 57,044 | (57,044) | - |
| Total revenue | \$ 1,335,490 | \$ (5,636) | \$ 1,329,854 | \$ 1,248,238 | \$ (24,935) | \$ 1,223,303 |

See accompanying notes to financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY; CENTRAL VIRGINIA CHAPTER

Statements of Activities, Continued
Years Ended September 30, 2013 and 2012

| | 2013 | | | 2012 | | |
|-------------------------------------|-------------------|---------------------------|-------------------|-------------------|---------------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| Expenses: | | | | | | |
| Program services: | | | | | | |
| Research | \$ 222,242 | \$ - | \$ 222,242 | \$ 195,078 | \$ - | \$ 195,078 |
| Public support to National | 174,619 | - | 174,619 | 153,276 | - | 153,276 |
| Client services | 231,211 | - | 231,211 | 224,039 | - | 224,039 |
| Community services | 141,005 | - | 141,005 | 133,738 | - | 133,738 |
| Professional education and training | 56,465 | - | 56,465 | 52,849 | - | 52,849 |
| Public education | <u>141,295</u> | <u>-</u> | <u>141,295</u> | <u>109,163</u> | <u>-</u> | <u>109,163</u> |
| Total program services | <u>966,837</u> | <u>-</u> | <u>966,837</u> | <u>868,143</u> | <u>-</u> | <u>868,143</u> |
| Supporting services: | | | | | | |
| Fundraising | 194,350 | - | 194,350 | 179,291 | - | 179,291 |
| Management and general | <u>71,898</u> | <u>-</u> | <u>71,898</u> | <u>70,072</u> | <u>-</u> | <u>70,072</u> |
| Total supporting services | <u>266,248</u> | <u>-</u> | <u>266,248</u> | <u>249,363</u> | <u>-</u> | <u>249,363</u> |
| Total expenses | <u>1,233,085</u> | <u>-</u> | <u>1,233,085</u> | <u>1,117,506</u> | <u>-</u> | <u>1,117,506</u> |
| Change in net assets | 102,405 | (5,636) | 96,769 | 130,732 | (24,935) | 105,797 |
| Net assets - beginning of year | <u>206,097</u> | <u>10,618</u> | <u>216,715</u> | <u>75,365</u> | <u>35,553</u> | <u>110,918</u> |
| Net assets - end of year | <u>\$ 308,502</u> | <u>\$ 4,982</u> | <u>\$ 313,484</u> | <u>\$ 206,097</u> | <u>\$ 10,618</u> | <u>\$ 216,715</u> |

See accompanying notes to financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY; CENTRAL VIRGINIA CHAPTER

Statements of Functional Expenses
Year Ended September 30, 2013

| Expenses: | Program Services | | | | | | Supporting Services | | | | | Benefit to Donor Costs | Total |
|--|-------------------|---------------------|-------------------|--------------------|------------------------|-------------------|---------------------|-------------------|------------------|-------------------|-------------------|------------------------|-------|
| | Research | National Activities | Client Services | Community Services | Professional | Public Education | Total | Fund-raising | Management | Total | | | |
| | | | | | Education and Training | | | | and General | | | | |
| Salaries | \$ - | \$ - | \$ 109,722 | \$ 85,339 | \$ 35,671 | \$ 89,403 | \$ 320,135 | \$ 85,791 | \$ 45,605 | \$ 131,396 | \$ - | \$ 451,531 | |
| Employee benefits | - | - | 13,241 | 10,299 | 4,305 | 10,789 | 38,634 | 10,353 | 5,503 | 15,856 | - | 54,490 | |
| Payroll taxes | - | - | 6,606 | 5,138 | 2,148 | 5,382 | 19,274 | 5,165 | 2,746 | 7,911 | - | 27,185 | |
| Total salaries and related expenses | - | - | 129,569 | 100,776 | 42,124 | 105,574 | 378,043 | 101,309 | 53,854 | 155,163 | - | 533,206 | |
| Printing and artwork | - | - | 696 | 169 | 58 | 148 | 1,071 | 6,935 | 74 | 7,009 | - | 8,080 | |
| Postage and shipping | - | - | 1,233 | 513 | 213 | 877 | 2,836 | 1,993 | 273 | 2,266 | - | 5,102 | |
| Telephone | - | - | 8,423 | 1,648 | 652 | 1,635 | 12,358 | 1,569 | 834 | 2,403 | - | 14,761 | |
| Office supplies and expense | - | - | 2,326 | 1,283 | 501 | 1,364 | 5,474 | 4,867 | 641 | 5,508 | 21,603 | 32,585 | |
| Dues & memberships | - | - | 497 | 395 | 161 | 405 | 1,458 | 495 | 206 | 701 | - | 2,159 | |
| Professional fees | - | - | 10,046 | 6,048 | 2,405 | 6,027 | 24,526 | 33,923 | 3,074 | 36,997 | - | 61,523 | |
| Travel | - | - | 17,351 | 8,999 | 2,172 | 4,941 | 33,463 | 15,197 | 2,574 | 17,771 | 76,449 | 127,683 | |
| Meetings | - | - | 3,757 | 4,485 | 1,221 | 2,948 | 12,411 | 1,900 | 1,504 | 3,404 | 17,608 | 33,423 | |
| Occupancy | - | - | 13,072 | 10,167 | 4,250 | 10,651 | 38,140 | 10,221 | 5,433 | 15,654 | 1,750 | 55,544 | |
| Furniture and equipment | - | - | 2,273 | 1,768 | 739 | 1,852 | 6,632 | 1,777 | 945 | 2,722 | - | 9,354 | |
| Prizes and awards | - | - | 251 | 107 | 33 | 83 | 474 | 2,499 | 42 | 2,541 | 23,921 | 26,936 | |
| Miscellaneous | - | - | 3,476 | 2,642 | 1,098 | 2,689 | 9,905 | 9,649 | 1,372 | 11,021 | 10,146 | 31,072 | |
| Disbursements for individuals with MS | - | - | 35,663 | - | - | - | 35,663 | - | - | - | - | 35,663 | |
| Depreciation | - | - | 2,578 | 2,005 | 838 | 2,101 | 7,522 | 2,016 | 1,072 | 3,088 | - | 10,610 | |
| Functionalized National program expense | <u>222,242</u> | - | - | - | - | - | <u>222,242</u> | - | - | - | - | <u>222,242</u> | |
| Total expense before public support to National | <u>222,242</u> | - | <u>231,211</u> | <u>141,005</u> | <u>56,465</u> | <u>141,295</u> | <u>792,218</u> | <u>194,350</u> | <u>71,898</u> | <u>266,248</u> | <u>151,477</u> | <u>1,209,943</u> | |
| Public support to National | - | <u>174,619</u> | - | - | - | - | <u>174,619</u> | - | - | - | - | <u>174,619</u> | |
| Total expenses | <u>\$ 222,242</u> | <u>\$ 174,619</u> | <u>\$ 231,211</u> | <u>\$ 141,005</u> | <u>\$ 56,465</u> | <u>\$ 141,295</u> | <u>\$ 966,837</u> | <u>\$ 194,350</u> | <u>\$ 71,898</u> | <u>\$ 266,248</u> | <u>\$ 151,477</u> | <u>1,384,562</u> | |
| Less- direct benefit to donor costs | | | | | | | | | | | | <u>(151,477)</u> | |
| Total expenses as reported on the statement of activities | | | | | | | | | | | | <u>\$ 1,233,085</u> | |

See accompanying notes to financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY; CENTRAL VIRGINIA CHAPTER

Statements of Functional Expenses
Year Ended September 30, 2012

| | Program Services | | | | | | Supporting Services | | | | | Benefit to Donor Costs | Total |
|--|-------------------|---------------------|-------------------|--------------------|-------------------------------------|-------------------|---------------------|-------------------|------------------------|-------------------|-------------------|------------------------|-------|
| | Research | National Activities | Client Services | Community Services | Professional Education and Training | Public Education | Total | Fund-raising | Management and General | Total | | | |
| Expenses: | | | | | | | | | | | | | |
| Salaries | \$ - | \$ - | \$ 86,236 | \$ 78,245 | \$ 31,890 | \$ 65,186 | \$ 261,557 | \$ 65,999 | \$ 42,396 | \$ 108,395 | \$ - | \$ 369,952 | |
| Employee benefits | - | - | 10,217 | 9,270 | 3,778 | 7,723 | 30,988 | 7,819 | 5,023 | 12,842 | - | 43,830 | |
| Payroll taxes | - | - | 6,655 | 6,039 | 2,461 | 5,031 | 20,186 | 5,094 | 3,272 | 8,366 | - | 28,552 | |
| Total salaries and related expenses | - | - | 103,108 | 93,554 | 38,129 | 77,940 | 312,731 | 78,912 | 50,691 | 129,603 | - | 442,334 | |
| Printing and artwork | - | - | 1,155 | 187 | 201 | 906 | 2,449 | 4,365 | 81 | 4,446 | - | 6,895 | |
| Postage and shipping | - | - | 770 | 352 | 139 | 926 | 2,187 | 2,326 | 184 | 2,510 | - | 4,697 | |
| Telephone | - | - | 4,564 | 2,429 | 978 | 1,999 | 9,970 | 2,027 | 1,300 | 3,327 | - | 13,297 | |
| Office supplies and expense | - | - | 1,818 | 1,596 | 632 | 1,291 | 5,337 | 2,209 | 840 | 3,049 | 21,885 | 30,271 | |
| Professional fees | - | - | 29,147 | 8,087 | 3,235 | 6,613 | 47,082 | 53,184 | 4,301 | 57,485 | 1,448 | 106,015 | |
| Travel | - | - | 8,301 | 5,656 | 1,272 | 2,600 | 17,829 | 11,328 | 1,691 | 13,019 | 79,096 | 109,944 | |
| Meetings | - | - | 4,933 | 2,525 | 392 | 801 | 8,651 | 2,013 | 521 | 2,534 | - | 11,185 | |
| Occupancy | - | - | 12,345 | 11,201 | 4,565 | 9,331 | 37,442 | 9,448 | 6,069 | 15,517 | 1,710 | 54,669 | |
| Insurance | - | - | 1,240 | 1,125 | 459 | 938 | 3,762 | 949 | 610 | 1,559 | - | 5,321 | |
| Furniture and equipment | - | - | 1,654 | 1,501 | 612 | 1,250 | 5,017 | 1,266 | 813 | 2,079 | 2,291 | 9,387 | |
| Prizes and awards | - | - | 663 | 279 | 97 | 198 | 1,237 | 425 | 129 | 554 | 34,932 | 36,723 | |
| Miscellaneous | - | - | 3,840 | 3,212 | 1,309 | 2,676 | 11,037 | 9,124 | 1,740 | 10,864 | 11,523 | 33,424 | |
| Disbursements for individuals with MS | - | - | 48,260 | - | - | - | 48,260 | - | - | - | - | 48,260 | |
| Depreciation | - | - | 2,241 | 2,034 | 829 | 1,694 | 6,798 | 1,715 | 1,102 | 2,817 | - | 9,615 | |
| Functionalized National program expense | 195,078 | - | - | - | - | - | 195,078 | - | - | - | - | 195,078 | |
| Total expense before public support to National | 195,078 | - | 224,039 | 133,738 | 52,849 | 109,163 | 714,867 | 179,291 | 70,072 | 249,363 | 152,885 | 1,117,115 | |
| Public support to National | - | 153,276 | - | - | - | - | 153,276 | - | - | - | - | 153,276 | |
| Total expenses | \$ 195,078 | \$ 153,276 | \$ 224,039 | \$ 133,738 | \$ 52,849 | \$ 109,163 | \$ 868,143 | \$ 179,291 | \$ 70,072 | \$ 249,363 | \$ 152,885 | 1,270,391 | |
| Less- direct benefit to donor costs | | | | | | | | | | | | (152,885) | |
| Total expenses as reported on the statement of activities | | | | | | | | | | | | \$ 1,117,506 | |

See accompanying notes to financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY; CENTRAL VIRGINIA CHAPTER

Statements of Cash Flows
Years Ended September 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|---|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 96,769 | \$ 105,797 |
| Adjustments to reconcile to net cash from operating activities: | | |
| Depreciation | 10,610 | 9,615 |
| Gift annuities held by National | 38 | (1,816) |
| Changes in operating assets and liabilities: | | |
| Receivables | (2,098) | (35,543) |
| Due from National Multiple Sclerosis Society | (134,883) | - |
| Prepaid expenses | (2,256) | 5,200 |
| Due to National Multiple Sclerosis Society | (109,055) | (33,837) |
| Accounts payable | 2,233 | 9,756 |
| Accrued expenses | 20,906 | (4,122) |
| Deferred rent | (3,958) | (1,976) |
| Deferred revenue | <u>76,602</u> | <u>32,603</u> |
| Net cash (used in) provided by operating activities | <u>(45,092)</u> | <u>85,677</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | <u>(15,266)</u> | <u>(23,931)</u> |
| Net cash used in investing activities | <u>(15,266)</u> | <u>(23,931)</u> |
| Net change in cash and cash equivalents | (60,358) | 61,746 |
| Cash and cash equivalents, beginning of year | <u>526,395</u> | <u>464,649</u> |
| Cash and cash equivalents, end of year | <u>\$ 466,037</u> | <u>\$ 526,395</u> |

See Note 1 for additional cash flow information.

See accompanying notes to financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY; CENTRAL VIRGINIA CHAPTER

Notes to Financial Statements

1. Nature of Activities and Significant Accounting Policies:

Nature of Activities: National Multiple Sclerosis Society; Central Virginia Chapter (the "Chapter") is a not-for-profit voluntary health agency established in 1964 which raises funds in Central Virginia to provide and connect people with multiple sclerosis to services and resources, support multiple sclerosis research and educate the public about the impact of multiple sclerosis. Services include, but are not necessarily limited to, supporting education, centers providing medical, recreational and other therapy and care for those living with multiple sclerosis, counseling and support, advocacy for local and national change, and information and resources through in-person and online programs.

Financial Statement Presentation: The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America and standards adopted by the National Health Council and National Assembly for Social Policy and Development.

Basis of Accounting: The Chapter is required to report information regarding its financial position and activities according to these three classes of net assets:

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

Temporarily restricted net assets: Temporarily restricted net assets are comprised of funds which are restricted by donors for specific purposes. The restrictions are satisfied either by the passage of time or by actions of the Chapter. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. It is the Chapter's policy to record temporarily restricted contributions received and expended in the same accounting period in the unrestricted net asset class.

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 had no permanently restricted net assets at September 30, 2013 and 2012.

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.

Temporarily Restricted Net Assets: As of September 30, 2013 and 2012, included in temporarily restricted net assets are amounts restricted due to donor imposed restrictions for programs in the amount of \$4,982 and \$10,618, respectively.

NATIONAL MULTIPLE SCLEROSIS SOCIETY; CENTRAL VIRGINIA CHAPTER

Notes to Financial Statements, Continued

1. Nature of Activities and Significant Accounting Policies, Continued:

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") 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.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Chapter considers all highly liquid instruments purchased with an original maturity of three months or less to be cash and equivalents. At September 30, 2013 and 2012, the Chapter's cash was held by two banks.

Supplemental Cash Flow Information: During 2013, the Chapter received two non-cash credits from home office, a realignment credit of \$131,500 and a credit against old debt of \$82,221. As of September 30, 2013, the realignment credit of \$131,500 was included in due from home office on the statement of financial position.

Furniture and Equipment: Furniture and equipment are recorded at cost for purchased assets and at fair market value at the date of receipt for contributed assets. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. The Chapter's policy is to capitalize eligible items over \$500 with useful lives exceeding one year. Expenditures for maintenance and repairs are charged to operations as incurred.

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 the donor's credit risk. 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. It is the Chapter's policy to record temporarily restricted contributions received and fulfilled in the same accounting period in the unrestricted net asset class. When a prior year's donor restriction expires, that is, when a time restriction ends or purpose restriction is fulfilled, temporarily restricted net assets are released from restrictions. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met.

All revenue received in advance for special events that are held subsequent to year-end is deferred revenue and recognized in the year of the event.

NATIONAL MULTIPLE SCLEROSIS SOCIETY; CENTRAL VIRGINIA CHAPTER

Notes to Financial Statements, Continued

1. Nature of Activities and Significant Accounting Policies, Continued:

Recognition of Donor Restrictions: Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction.

Donated Goods and Services: Donated goods and services, including public service announcements, that are used by the Chapter in programs, special events, and supporting services are reflected as in-kind contributions and expensed in the accompanying financial statements at their estimated fair value upon receipt. Donated goods include the following for the years ended September 30:

| | <u>2013</u> | <u>2012</u> |
|---------------|-------------|-------------|
| Donated goods | \$ 32,389 | \$ 48,605 |

Donated public service announcements received in fiscal year 2013 and fiscal year 2012 totaled approximately \$9,963 and \$27,110, respectively and is reflected above as donated goods and as fundraising expenses in the accompanying statement of activities.

In addition, a number of volunteers have donated significant contributions of their time to the Chapter's program services and supporting services. The value of this contributed time is not reflected in these statements because they do not meet the criteria for revenue recognition established by ASC Section 958-605 (formerly Statement of Financial Accounting Standards No. 116, Contributions Received and Contributions Made).

Subsidies Received from the National Multiple Sclerosis Society: With the realignment in fiscal year 2014 with the Hampton Roads Chapter, formalizing the Central and Eastern Virginia Chapter (see Note 8, Subsequent Events), the Chapter incurred unanticipated expenses during fiscal year 2013. As a result of a recommendation forwarded to the Chapter Relations Committee, the Central Virginia Chapter was granted a subsidy of \$131,500 from the National Multiple Sclerosis Society. This amount is included in miscellaneous income in the Statement of Activities. In addition, the Chapter Relations Committee granted an additional subsidy of \$82,221 to credit against old debt.

Leveraged Funds: The Chapter has committed to address the financial impact of MS on individuals and families. Enhancing the value of Society funds provided via the Society's financial assistance program by leveraging funds from other sources is one very effective way to address the financial needs of clients and also demonstrates the benefit of collaborations and partnerships in addressing those needs. During the course of fiscal year 2013 and fiscal year 2012 the Chapter was able to leverage \$10,602 and \$6,609, respectively, on behalf of members.

NATIONAL MULTIPLE SCLEROSIS SOCIETY; CENTRAL VIRGINIA CHAPTER

Notes to Financial Statements, Continued

1. Nature of Activities and Significant Accounting Policies, Continued:

Functional Expenses: Expenses are charged to each program based on direct expenditures incurred. Other program expenditures not directly chargeable are allocated to a program based on various allocation factors.

Research and National Activities Expense: 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. 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 2013 the Chapter's National Program Expense under the new policy was calculated to be \$396,861. By setting the Chapter's National Programs 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 the Home Office's direct marketing program. In fiscal year 2012, unrestricted public support received under the program by the Home Office that was attributable to Chapter sources was credited to and recorded by the Chapter at 50% of the net revenue from the program. These amounts were recorded as contributions received from the Home Office in the accompanying statements of activities. In order to drive Society initiatives, the Direct Marketing Program revenue distribution has been revised for fiscal year 2013. The Chapter no longer records the net revenue from the program as contributions received from the home office, but rather received credit towards its National Program Expense for 50% of the actual fiscal year 2011 audited Direct Marketing revenue.

In addition to contributions remitted to National Headquarters, 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. There were no additional contributions to National Headquarters for 2013 or 2012.

In fiscal year 2014, as part of the combined Central and Eastern Virginia Chapter (see Note 8, Subsequent Events), the chapter's national program expense will be \$761,823.

Income Taxes: The Chapter qualifies as a charitable organization as defined by the Internal Revenue Code Section 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 the maximum charitable contributions deduction under the Internal Revenue Code. The Chapter is also exempt from taxes in the Commonwealth of Virginia.

Management analyzed the tax positions taken by the Chapter and concluded that, as of September 30, 2013, there were no uncertain tax positions taken or are expected to be taken. Accordingly, no interest or penalties related to uncertain tax positions have been accrued in the accompanying financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY; CENTRAL VIRGINIA CHAPTER

Notes to Financial Statements, Continued

1. Nature of Activities and Significant Accounting Policies, Continued:

Income Taxes, Continued: The Chapter is subject to audits by taxing jurisdictions; however no audit for any tax period is currently in progress. Management believes that the Chapter is no longer subject to such audits for years ended on or prior to September 30, 2009 under federal or Virginia State tax jurisdictions.

Concentration of Credit Risk: Deposits as the Chapter's financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Chapter has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and investments. The Chapter had approximately, \$216,216 and \$272,267 in uninsured cash and investment balances at September 30, 2013 and 2012.

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 2013 and 2012, respectively. Receivables are recorded at net realizable value, net of an allowance for uncollectible amounts. The Chapter believes that the pledges receivable are fully collectible. There are no identifiable concentrations of credit risk related to these receivables.

Advertising: The Chapter expenses advertising costs as incurred. Advertising expense was \$26,819 and \$42,410 in 2013 and 2012, respectively, consisting of \$9,963 and \$25,610 in donated advertising and public service announcements.

Reclassifications: Certain prior year balances have been reclassified to conform with the current year presentation.

2. Contributions:

Public support includes the following contributions, legacies and bequests received at National from Central Virginia sources for the years ended September 30:

| | <u>2013</u> | <u>2012</u> |
|-----------------------|-------------|------------------|
| General contributions | <u>\$ -</u> | <u>\$ 20,373</u> |

During the years ended September 30, 2013 and 2012, the Chapter received contributions of \$62,788 and \$34,599, respectively, which were restricted by the donors to be used solely for local chapter services and sponsorship for special events.

NATIONAL MULTIPLE SCLEROSIS SOCIETY; CENTRAL VIRGINIA CHAPTER

Notes to Financial Statements, Continued

3. Furniture and Equipment:

Below is a summary of property and equipment and accumulated depreciation at September 30:

| | <u>2013</u> | <u>2012</u> |
|-----------------------------------|------------------|------------------|
| Furniture, fixtures and equipment | \$ 1,495 | \$ 1,495 |
| Office equipment | <u>76,467</u> | <u>61,201</u> |
| | 77,962 | 62,696 |
| Less accumulated depreciation | <u>(50,554)</u> | <u>(39,944)</u> |
| | <u>\$ 27,408</u> | <u>\$ 22,752</u> |

Depreciation expense amounted to \$10,610 and \$9,615 for 2013 and 2012, respectively.

4. Lease Commitments:

The Chapter entered into a new lease for office space, which contains a rent holiday, on September 1, 2010. Under this long-term agreement expiring January 31, 2016, the total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is credited to deferred revenue in the accompanying statement of financial position. Office rent expense for the years ended September 30, 2013 and 2012 was \$50,053 and \$48,549, respectively.

The Chapter also leases a copier and postage machine under lease agreements which expire on September 30, 2016 and January 31, 2015, respectively.

The future minimum lease payments under the lease agreements consist of the following at September 30, 2013:

| | |
|------|-------------------|
| 2014 | \$ 48,592 |
| 2015 | 48,592 |
| 2016 | <u>22,733</u> |
| | <u>\$ 119,917</u> |

NATIONAL MULTIPLE SCLEROSIS SOCIETY; CENTRAL VIRGINIA CHAPTER

Notes to Financial Statements, Continued

5. 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, 2013 and 2012, as determined by the Society's President & Chief Executive Officer was 3% of gross annual salary. The pension expense incurred by the Chapter related to this plan for the years ended September 30, 2013 and 2012 was \$10,282 and \$9,919 respectively.

6. Related Parties:

From time to time, other chapters receive donated funds and share expenses for joint events with the Chapter. In addition, other chapters reimburse certain expenses to the Chapter. These expenses include salary and benefit expenses for certain shared employees and other operational expenses primarily related to advocacy activities. At September 30, 2013 and 2012, the balance due from other chapters for joint events and operational expenses was \$49,275 and \$34,926, respectively. During the years ended September 30, 2013 and 2012, the Chapter incurred \$58,899 and \$44,824, respectively in operational expenses which are reimbursed by other chapters.

7. Gift Annuity:

The Chapter is the beneficiary of a split-interest agreement with a donor, whereby the Home Office 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).

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 National Headquarters as of that date. National Headquarters continues to hold, manage, invest and control the donated assets.

The year-end values of the Chapter split-interest agreements for 2013 and 2012 were \$1,778 and \$1,816, respectively. Income (loss) derived from changes in value of the agreements for 2013 and 2012 was (\$38) and \$1,816, respectively.

NATIONAL MULTIPLE SCLEROSIS SOCIETY; CENTRAL VIRGINIA CHAPTER

Notes to Financial Statements, Continued

8. Subsequent Events:

Effective October 1, 2013, the Central Virginia Chapter and the Hampton Roads Chapter realigned to form the Central and Eastern Virginia Chapter of the National Multiple Sclerosis Society. The realignment was conducted in part to unify the Chapters and to more effectively deploy resources in the region. The transaction has been treated as an acquisition for accounting purposes. No consideration was exchanged in the combination.

The remaining assets of the Hampton Roads Chapter were recorded at fair market value as of the date of realignment, which were estimated to approximate book value recorded on the Hampton Roads Chapter's books.

Management has evaluated subsequent events through December 19, 2013, the date the financial statements were available to be issued, and has determined there are no other subsequent events to be reported in the accompanying financial statements.