

**NATIONAL MULTIPLE SCLEROSIS SOCIETY
KENTUCKY-SOUTHEAST INDIANA CHAPTER
Louisville, Kentucky
REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
for the years ended September 30, 2011
and September 30, 2010**

CONTENTS

Independent Auditors' Report	2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Statements of Functional Expenses	6 and 7
Notes to Financial Statements	8 - 15
Independent Auditors' Report on Supplementary Information	16
Supplementary Information:	
Schedule of Amount due National MS Society	17
Schedule of Income from Special Events and New Campaigns	18
Schedule of Memberships and Contributions	19



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
National Multiple Sclerosis Society,
Kentucky-Southeast Indiana Chapter
Louisville, Kentucky

We have audited the accompanying statements of financial position of National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter (the "Chapter") as of September 30, 2011 and 2010, and the related statements of activities and changes in net assets, 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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, Kentucky-Southeast Indiana Chapter, at 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.

McCauley, Nicolas & Company, LLC

McCauley, Nicolas & Company, LLC
Certified Public Accountants

Jeffersonville, Indiana
December 28, 2011

NATIONAL MULTIPLE SCLEROSIS SOCIETY, KENTUCKY-SOUTHEAST INDIANA CHAPTER

STATEMENTS OF FINANCIAL POSITION

September 30, 2011 and 2010

ASSETS	2011	2010
CURRENT ASSETS		
Cash	\$ 562,288	\$ 249,922
Cash - temporarily restricted	-	27,500
Contributions receivable, net	124,173	46,722
Due from National Multiple Sclerosis Society	3,460	-
Prepaid expenses and other assets	4,725	4,383
TOTAL CURRENT ASSETS	694,646	328,527
NONCURRENT ASSETS		
Deposits	1,800	3,956
Marketable investments (permanently restricted)	8,539	8,581
Furniture, fixtures and equipment, net	2,337	9,423
TOTAL NONCURRENT ASSETS	12,676	21,960
TOTAL ASSETS	\$ 707,322	\$ 350,487
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Due National Multiple Sclerosis Society:		
Remittance due to National	\$ -	\$ 277,032
Other payables to National	232,309	234,398
Accounts payable and accrued expenses	53,829	29,456
TOTAL CURRENT LIABILITIES	286,138	540,886
LONG-TERM LIABILITIES		
Due National Multiple Sclerosis Society	620,664	343,632
TOTAL LIABILITIES	906,802	884,518
NET ASSETS (DEFICIT)		
Unrestricted	(208,019)	(570,112)
Temporarily restricted	-	27,500
Permanently restricted	8,539	8,581
TOTAL NET ASSETS (DEFICIT)	(199,480)	(534,031)
TOTAL LIABILITIES AND NET ASSETS	\$ 707,322	\$ 350,487

See notes to financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY, KENTUCKY-SOUTHEAST INDIANA CHAPTER

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
for the years ended September 30, 2011 and 2010

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT								
Received Directly								
Special events	\$ 872,041	\$ -	\$ -	\$ 872,041	\$ 806,625	\$ 27,500	\$ -	\$ 834,125
Benefit to donor expenses	(127,517)	-	-	(127,517)	(159,679)	-	-	(159,679)
	<u>744,524</u>	<u>-</u>	<u>-</u>	<u>744,524</u>	<u>646,946</u>	<u>27,500</u>	<u>-</u>	<u>674,446</u>
Membership and contributions (includes in-kind donations of \$2,400 in 2010 and \$5,346 in 2009)	117,113	20,838	-	137,951	76,085	21,458	-	97,543
Legacies: received by Chapter	379,206	-	-	379,206	104,559	-	-	104,559
Received at National (other than legacies)	33,416	-	-	33,416	33,114	255	-	33,369
Total Received Directly	<u>1,274,259</u>	<u>20,838</u>	<u>-</u>	<u>1,295,097</u>	<u>860,704</u>	<u>49,213</u>	<u>-</u>	<u>909,917</u>
Received Indirectly								
Federated Fund Raising Organization	3,402	-	-	3,402	2,550	-	-	2,550
Total Received Indirectly	<u>3,402</u>	<u>-</u>	<u>-</u>	<u>3,402</u>	<u>2,550</u>	<u>-</u>	<u>-</u>	<u>2,550</u>
Total Revenue from the Public	<u>1,277,661</u>	<u>20,838</u>	<u>-</u>	<u>1,298,499</u>	<u>863,254</u>	<u>49,213</u>	<u>-</u>	<u>912,467</u>
Investment income (loss)	130	-	(42)	88	105	-	655	760
Service program fees	-	625	-	625	6,011	-	-	6,011
Miscellaneous income	13,572	1,547	-	15,119	1,404	1,340	-	2,744
Net assets released from restrictions	50,510	(50,510)	-	-	23,053	(23,053)	-	-
TOTAL REVENUES	<u>1,341,873</u>	<u>(27,500)</u>	<u>(42)</u>	<u>1,314,331</u>	<u>893,827</u>	<u>27,500</u>	<u>655</u>	<u>921,982</u>
EXPENSES								
Program services:								
Research	129,209	-	-	129,209	169,829	-	-	169,829
Public support to National	114,581	-	-	114,581	162,270	-	-	162,270
Client programs	171,111	-	-	171,111	196,995	-	-	196,995
Community programs	105,919	-	-	105,919	121,879	-	-	121,879
Professional education and training	128,435	-	-	128,435	52,232	-	-	52,232
Public education	123,757	-	-	123,757	188,496	-	-	188,496
Total program services	<u>773,012</u>	<u>-</u>	<u>-</u>	<u>773,012</u>	<u>891,701</u>	<u>-</u>	<u>-</u>	<u>891,701</u>
Supporting services:								
Fund-raising	161,090	-	-	161,090	109,668	-	-	109,668
Management and general	45,678	-	-	45,678	61,807	-	-	61,807
Total supporting services	<u>206,768</u>	<u>-</u>	<u>-</u>	<u>206,768</u>	<u>171,475</u>	<u>-</u>	<u>-</u>	<u>171,475</u>
TOTAL EXPENSES	<u>979,780</u>	<u>-</u>	<u>-</u>	<u>979,780</u>	<u>1,063,176</u>	<u>-</u>	<u>-</u>	<u>1,063,176</u>
CHANGES IN NET ASSETS	<u>362,093</u>	<u>(27,500)</u>	<u>(42)</u>	<u>334,551</u>	<u>(169,349)</u>	<u>27,500</u>	<u>655</u>	<u>(141,194)</u>
NET ASSETS (DEFICIT) AT BEGINNING OF YEAR	<u>(570,112)</u>	<u>27,500</u>	<u>8,581</u>	<u>(534,031)</u>	<u>(400,763)</u>	<u>-</u>	<u>7,926</u>	<u>(392,837)</u>
NET ASSETS (DEFICIT) AT END OF YEAR	<u>\$ (208,019)</u>	<u>\$ -</u>	<u>\$ 8,539</u>	<u>\$ (199,480)</u>	<u>\$ (570,112)</u>	<u>\$ 27,500</u>	<u>\$ 8,581</u>	<u>\$ (534,031)</u>

See notes to financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY, KENTUCKY-SOUTHEAST INDIANA CHAPTER

STATEMENTS OF CASH FLOWS

for the years ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets (deficit)	\$ 334,551	\$ (141,194)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	7,086	6,709
Changes in operating assets and liabilities:		
Contributions receivable, net	(77,451)	(35,963)
Prepaid expenses and other assets	(342)	3,134
Deposits	2,156	-
Due from National Multiple Sclerosis Society	(3,460)	-
Due to National Multiple Sclerosis Society	(2,089)	282,849
Accounts payable and accrued expenses	24,373	6,085
Deferred revenue	-	(28,727)
	<u>284,824</u>	<u>92,893</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture, fixtures and equipment	<u>-</u>	<u>(1,799)</u>
Cash used in investing activities	<u>-</u>	<u>(1,799)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change to restricted investments	<u>42</u>	<u>(655)</u>
Cash provided by (used in) financing activities	<u>42</u>	<u>(655)</u>
NET INCREASE IN CASH	284,866	90,439
CASH, BEGINNING OF YEAR	<u>277,422</u>	<u>186,983</u>
CASH, END OF YEAR	<u>\$ 562,288</u> *	<u>\$ 277,422</u>

* Cash reconciliation as reported on the Statement of Financial Position:

Cash	\$ 562,288	\$ 249,922
Cash - temporarily restricted	<u>-</u>	<u>27,500</u>
	<u>\$ 562,288</u>	<u>\$ 277,422</u>

See notes to financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY, KENTUCKY SOUTHEAST INDIANA CHAPTER

STATEMENT OF FUNCTIONAL EXPENSES

for the year ended September 30, 2011

	Program Services						Supporting Services				Grand Total	
	Research	National Activities	Client Programs	Community Programs	Professional Education and Training	Public Education	Total	Fund Raising	Management and General	Total Programs & Support		Benefit to Donor Costs
Salaries	\$ -	\$ -	\$ 50,182	\$ 50,182	\$ 66,900	\$ 62,140	\$ 229,404	\$ 33,464	\$ 23,887	\$ 286,755	\$ -	\$ 286,755
Employee benefits	-	-	6,617	6,617	8,821	8,194	30,249	4,413	3,150	37,812	-	37,812
Payroll taxes	-	-	4,761	4,761	6,347	5,896	21,765	3,175	2,266	27,206	-	27,206
Total salaries and related expenses	-	-	61,560	61,560	82,068	76,230	281,418	41,052	29,303	351,773	-	351,773
Printing and artwork	-	-	2,056	744	574	4,885	8,259	16,429	205	24,893	-	24,893
Postage and shipping	-	-	1,086	677	902	1,232	3,897	2,399	322	6,618	-	6,618
Telephone	-	-	2,500	2,475	3,300	3,065	11,340	1,782	1,178	14,300	-	14,300
Supplies	-	-	1,108	1,066	1,421	1,320	4,915	741	508	6,164	47,494	53,658
Dues and memberships	-	-	303	303	404	376	1,386	202	144	1,732	-	1,732
Professional and other contract service fees	-	-	48,820	21,234	17,991	16,881	104,926	68,691	6,424	180,041	-	180,041
Travel	-	-	4,438	3,391	2,658	2,469	12,956	12,246	949	26,161	53,394	79,545
Meetings	-	-	6,136	717	290	269	7,412	307	103	7,822	6,350	14,172
Occupancy	-	-	8,658	8,658	11,542	10,721	39,579	5,773	4,121	49,473	6,196	55,669
Furniture and equipment	-	-	1,149	1,149	1,532	1,423	5,253	766	547	6,566	-	6,566
Insurance (property and casualty)	-	-	758	758	1,011	939	3,466	506	361	4,333	-	4,333
Awards and grants to individuals and other organizations	-	-	-	-	-	-	-	-	-	-	-	-
Disbursements for individuals with MS	-	-	29,352	-	-	-	29,352	-	-	29,352	-	29,352
Prizes and promotional items	-	-	490	490	653	607	2,240	2,606	233	5,079	8,018	13,097
Miscellaneous expense	-	-	1,457	1,457	2,436	1,804	7,154	6,763	693	14,610	6,065	20,675
Depreciation and amortization	-	-	1,240	1,240	1,653	1,536	5,669	827	587	7,083	-	7,083
Restricted contributions to National for research and other activities	-	-	-	-	-	-	-	-	-	-	-	-
Functionalized National programs expense	129,209	-	-	-	-	-	129,209	-	-	129,209	-	129,209
Total expenses before Public Support to National	129,209	-	171,111	105,919	128,435	123,757	658,431	161,090	45,678	865,199	127,517	992,716
Public Support to National	-	114,581	-	-	-	-	114,581	-	-	114,581	-	114,581
Total expenses	\$ 129,209	\$ 114,581	\$ 171,111	\$ 105,919	\$ 128,435	\$ 123,757	\$ 773,012	\$ 161,090	\$ 45,678	\$ 979,780	\$ 127,517	\$ 1,107,297
Less Direct Benefit to Donor Costs												(127,517)
Total expenses as reported on the Statement of Activities												\$ 979,780

See notes to financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY, KENTUCKY SOUTHEAST INDIANA CHAPTER

STATEMENT OF FUNCTIONAL EXPENSES

for the year ended September 30, 2010

	Program Services							Supporting Services				Grand Total
	Research	National Activities	Client Programs	Community Programs	Professional Education and Training	Public Education	Total	Fund Raising	Management and General	Total Programs & Support	Benefit to Donor Costs	
Salaries	\$ -	\$ -	\$ 76,100	\$ 56,370	\$ 24,158	\$ 86,972	\$ 243,600	\$ 49,928	\$ 28,588	\$ 322,116	\$ -	\$ 322,116
Employee benefits	-	-	7,812	5,787	2,480	8,928	25,007	5,125	2,935	33,067	-	33,067
Payroll taxes	-	-	12,498	9,258	3,988	14,284	40,008	8,200	4,695	52,903	-	52,903
Total salaries and related expenses	-	-	96,410	71,415	30,606	110,184	308,615	63,253	36,218	408,086	-	408,086
Printing and artwork	-	-	9,813	3,377	1,447	5,667	20,304	4,709	1,712	26,725	-	26,725
Postage and shipping	-	-	2,517	1,865	799	2,877	8,058	1,652	945	10,655	-	10,655
Telephone	-	-	2,491	1,845	791	2,847	7,974	1,634	936	10,544	-	10,544
Supplies	-	-	1,773	1,313	563	2,026	5,675	1,163	666	7,504	45,423	52,927
Dues and memberships	-	-	425	315	135	486	1,361	279	161	1,801	-	1,801
Professional and other contract service fees	-	-	31,156	23,079	9,891	35,607	99,733	20,441	11,705	131,879	-	131,879
Travel	-	-	6,174	4,574	1,960	7,056	19,764	4,052	2,319	26,135	65,483	91,618
Meetings	-	-	575	426	182	657	1,840	377	216	2,433	300	2,733
Occupancy	-	-	12,524	9,277	3,976	14,313	40,090	8,217	4,705	53,012	28,851	81,863
Furniture and equipment	-	-	1,915	1,418	608	2,188	6,129	1,256	719	8,104	-	8,104
Insurance (property and casualty)	-	-	1,100	815	349	1,257	3,521	722	412	4,655	-	4,655
Awards and grants to individuals and other organizations	-	-	91	68	29	104	292	60	34	386	-	386
Disbursements for individuals with MS	-	-	27,207	-	-	-	27,207	-	-	27,207	-	27,207
Prizes and promotional items	-	-	-	-	-	-	-	-	-	-	14,121	14,121
Miscellaneous expense	-	-	1,239	918	393	1,416	3,966	813	463	5,242	5,501	10,743
Depreciation and amortization	-	-	1,585	1,174	503	1,811	5,073	1,040	596	6,709	-	6,709
Restricted contributions to National for research and other activities	7,559	-	-	-	-	-	7,559	-	-	7,559	-	7,559
Functionalized National programs expense	162,270	-	-	-	-	-	162,270	-	-	162,270	-	162,270
Total expenses before Public Support to National	169,829	-	196,995	121,879	52,232	188,496	729,431	109,668	61,807	900,906	159,679	1,060,585
Public Support to National	-	162,270	-	-	-	-	162,270	-	-	-	-	162,270
Total expenses	\$ 169,829	\$ 162,270	\$ 196,995	\$ 121,879	\$ 52,232	\$ 188,496	\$ 891,701	\$ 109,668	\$ 61,807	\$ 900,906	\$ 159,679	\$ 1,222,655
Less Direct Benefit to Donor Costs												(159,679)
Total expenses as reported on the Statement of Activities												\$ 1,063,176

See notes to financial statements.

**NATIONAL MULTIPLE SCLEROSIS SOCIETY, KENTUCKY-SOUTHEAST INDIANA
CHAPTER**

NOTES TO FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter (the Chapter) is presented to assist in understanding the Chapter's financial statements. The financial statements and notes are representations of the Chapter's management, who is responsible for their integrity and objectivity.

Organization

National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter is a not-for-profit voluntary health agency which raises funds in Kentucky and southeast Indiana to provide services to people with multiple sclerosis, support multiple sclerosis research through its national organization and educate the public about the impact of multiple sclerosis. Services include supporting medical centers, counseling, crisis services, education, transportation, recreation and physical therapy for individuals who have multiple sclerosis.

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, if any) 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

The Chapter considers all short-term investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at September 30, 2011 and 2010. At September 30, 2011 and 2010, the Chapter's cash was held by two financial institutions.

Contributions Receivable

Contributions receivable consist of accruals of public support received after year end that pertained to fundraising events held during the years ended September 30, 2011 and 2010. The Chapter uses the allowance for bad debts method of valuing uncollectible pledges which is based on historical experience, coupled with a review of the current status of existing receivables. Management determined no allowance was necessary for the years ended September 30, 2011 and 2010.

Marketable Investments

Investments are stated at their quoted market prices, with the net change in unrealized gains or losses included in the Statement of Activities. Donated securities, if any, are recorded as contributions at their fair value at date of gift. See Note 3 for additional information.

**NATIONAL MULTIPLE SCLEROSIS SOCIETY, KENTUCKY-SOUTHEAST INDIANA
CHAPTER**

NOTES TO FINANCIAL STATEMENTS—Continued

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Furniture, Fixtures and Equipment

Furniture, fixtures and equipment are recorded at cost or, if donated, at fair market value at date of receipt. Major expenditures and those which substantially increase useful lives are capitalized. Maintenance, repairs and minor renewals are charged to expense when incurred. Gain or loss on retirements or dispositions of assets is credited or charged to operations, and respective costs and accumulated depreciation are eliminated from the accounts.

The cost of furniture, fixtures and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method. The estimated useful lives are 5 to 10 years.

Net Asset Classifications

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

- *Unrestricted Net Assets:* Unrestricted net assets represent funds which are fully available, at the discretion of management and the Board of Trustees, for the Chapter to utilize in any of its programs or supporting services.
- *Temporarily Restricted Net Assets:* Temporarily restricted net assets are comprised of funds which are restricted by donors for specific purposes. The restrictions are satisfied either by the passage of time or by actions of the Chapter.
- *Permanently Restricted Net Assets:* Permanently restricted net assets include resources with permanent donor-imposed restrictions, which require the assets to be maintained in perpetuity but permit the Chapter to expend all or part of the income derived from the donated assets.

Donated Goods and Services

The Chapter records revenue and a corresponding expense for certain donated goods and services. The Chapter records donated goods as a contribution and a corresponding expense. The revenues and expenses for the years ended September 30, 2011 and 2010 are reflected at fair value.

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 ASC Section 958-605 (formerly Statement of Financial Accounting Standards No. 116, *Contributions Received and Contributions Made*).

**NATIONAL MULTIPLE SCLEROSIS SOCIETY, KENTUCKY-SOUTHEAST INDIANA
CHAPTER**

NOTES TO FINANCIAL STATEMENTS—Continued

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenue Recognition and Deferred Revenue

Contributions are recorded as revenue when received or promised (pledged) unconditionally, at their fair value. The fair value of long-term contributions receivable are measured based on the present value of future cash flows, with consideration of expectation about possible variations in the amount and/or timing of the cash flows and other specific factors that would be considered by market participants. The fair value measurements also consider donors' credit risk. Gifts received with donor stipulations that limit the use of the donated assets are reported as temporarily restricted support. The Chapter recognizes income from legacies and bequests when an unassailable right to the gift has been established by the court and the proceeds are measurable in amount. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is fulfilled, temporarily restricted net assets are reclassified as unrestricted and reported in the statement of activities as net assets released from restrictions. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. It is the Chapter's policy to record temporarily restricted contributions received and fulfilled in the same accounting period in the unrestricted net asset class.

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

Functional Allocation of Expenses

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

Advertising

Advertising costs are expensed as incurred.

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 for fiscal year 2011. This change was approved to simplify the formula, to reduce redundancies, internal reconciliations and billings, and to improve budgeting and planning. Under the new policy, the Society calculates the National Program Expense for each chapter in advance of the fiscal year after a complete review by the Budget Review Committee and National Board. The Chapter's national program expense will be calculated using the average of the previous two year's audited results as the revenue base. The remittance percentage is subject to adjustment each year to ensure that the Society's 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 \$243,790. 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 Headquarters' direct marketing program. Unrestricted public support received under the program by National Headquarters that is attributable to Chapter sources is credited to and recorded by the Chapter at 50% of the net revenue from the program. These amounts are recorded as contributions received from National Headquarters in the accompanying Statement of Activities.

**NATIONAL MULTIPLE SCLEROSIS SOCIETY, KENTUCKY-SOUTHEAST INDIANA
CHAPTER**

NOTES TO FINANCIAL STATEMENTS—Continued

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Concentration of Credit Risk

The Chapter maintains a portion of its cash and investments in deposits and fund accounts that at times may exceed federally insured limits. The Chapter has not experienced any losses in such accounts. The Chapter believes it is not exposed to any significant credit risk on its cash and investments.

NOTE 2—FAIR VALUE MEASUREMENTS

Accounting standards for fair value measurements (ASC820-10) establish a comprehensive framework for measuring fair value and expand required disclosures concerning fair value measurements. Specifically, the standards sets forth a definition of fair value and establish a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value inputs.

The following table provides the fair value hierarchy of the chapter's financial assets as of September 30, 2011 and 2010:

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

<u>September 30, 2011</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Funds custodiated by The Community Foundation of Louisville	\$ 8,539	\$ -	\$ 8,539	\$ -
<u>September 30, 2010</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Funds custodiated by The Community Foundation of Louisville	\$ 8,581	\$ -	\$ 8,581	\$ -

Fair value measurements based on Level 1 inputs: Measurements that are most observable are based on quoted prices of identical instruments obtained from the principal markets in which they are traded. Closing prices are both readily available and representative of fair value. Market transactions occur with sufficient frequency and volume to ensure liquidity.

Fair value measurements based on Level 2 inputs: Measurements derived indirectly from observable inputs or from quoted prices from markets that are less liquid are considered Level 2. Measurements may consider inputs that other market participants would use in valuing a portfolio, quoted market prices for similar securities, interest rates, credit risks, and others.

**NATIONAL MULTIPLE SCLEROSIS SOCIETY, KENTUCKY-SOUTHEAST INDIANA
CHAPTER**

NOTES TO FINANCIAL STATEMENTS—Continued

NOTE 2—FAIR VALUE MEASUREMENTS—Continued

Fair value measurements based on Level 3 inputs: Measurements that are least observable are estimated from related market data, determined from sources with little or no market activity for comparable contracts, or are positions with longer durations.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the chapter believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 3—MARKETABLE INVESTMENTS

Marketable investments consist of the following at September 30, 2011 and 2010:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Funds custodiated by The Community Foundation of Louisville	<u>\$6,000</u>	<u>\$8,539</u>	<u>\$6,000</u>	<u>\$8,581</u>

The Chapter reported an investment income (loss) on the marketable investments of \$(42) and \$655 for the years ended September 30, 2011 and 2010, respectively.

Following is a summary of the investment gain/(loss) on the marketable investments:

	2011	2010
Interest and dividends	\$ 270	\$ 192
Realized gain (loss)	160	130
Unrealized gain (loss)	(345)	438
	85	760
Less: fees	(127)	(105)
	\$ (42)	\$ 655

**NATIONAL MULTIPLE SCLEROSIS SOCIETY, KENTUCKY-SOUTHEAST INDIANA
CHAPTER**

NOTES TO FINANCIAL STATEMENTS—Continued

NOTE 4—FURNITURE, FIXTURES AND EQUIPMENT

Furniture, fixtures and equipment at September 30, 2011 and 2010 consist of the following:

	2011	2010
Equipment, furniture and fixtures	\$ 31,874	\$ 131,340
Leased improvements	-	1,536
Software	-	19,664
Website costs	-	15,728
	31,874	168,268
Less: accumulated depreciation	(29,537)	(158,845)
	\$ 2,337	\$ 9,423

NOTE 5—CONTRIBUTIONS RESTRICTED FOR LOCAL USE

During the fiscal year ended September 30, 2011, the Chapter received contributions of \$50 which were restricted by the donors to be used solely for local chapter services and sponsorship for special events. These restricted contributions were tested as part of our independent audit procedures and were in compliance with the restricted gift policy of the National Multiple Sclerosis Society.

NOTE 6—RETIREMENT PLAN

The National Headquarters office maintains a noncontributory defined contribution retirement plan covering all eligible employees of the Chapter. Employees are fully vested at the end of five years. Contributions for the years ended September 30, 2011 and 2010, as determined by National Headquarters' Chief Executive Officer, was 3% and 0% of gross annual salary, respectively. The pension expense related to this plan for the years ended September 30, 2011 and 2010 was \$5,648 and \$0, respectively.

Additionally, the Chapter has an employee contributory retirement plan for the benefit of its employees. Contributions to this Plan are employee only and participation is voluntary.

NOTE 7—CONTRIBUTIONS

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

	2011	2010
General contributions	\$31,846	\$33,139
Research contributions	1,570	230
	\$33,416	\$46,238

**NATIONAL MULTIPLE SCLEROSIS SOCIETY, KENTUCKY-SOUTHEAST INDIANA
CHAPTER**

NOTES TO FINANCIAL STATEMENTS—Continued

NOTE 8—JOINT COSTS

During the years ended September 30, 2011 and 2010, the Chapter incurred joint costs of \$1,362 and \$2,175, respectively, for informational materials and activities that included fund-raising appeals. Such costs were allocated in accordance with the requirements of the ASC Section 958-720 (formerly the American Institute of Certified Public Accountants' Statement of Position 98-2), *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Government Entities That Included Fundraising*. Of these costs, the Chapter allocated \$1,280 and \$2,045 to fund-raising expense and \$82 and \$130 to public education for the years ended September 30, 2011 and 2010, respectively.

NOTE 9—LEASE COMMITMENTS

The Chapter leases its administrative offices. The lease expires December 2011, but provides for two renewal options of five years each. The Chapter has elected not to renew the lease. The Chapter has entered into a new lease agreement with a lease term from January 1, 2012 through December 31, 2014, with one renewal option for three years. Under the new agreement, monthly lease payments will be \$1,833. The rental expense of Chapter office space was \$43,826 and \$44,801 for the years ended September 30, 2011 and 2010, respectively. Minimum rental payments are as follows for the years ended September 30:

2012	\$ 25,930
2013	21,966
2014	21,966
2015	<u>5,499</u>
	<u>\$ 75,361</u>

NOTE 10—CONCENTRATION OF RISK

The Chapter's operating funds are in an account which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times the operating funds may exceed FDIC limits. At September 30, 2011, all funds were covered by the FDIC.

Approximately 48% of the Chapter's revenue for the year ended September 30, 2011 came from three major fundraising events.

Approximately 85% of the Chapter's revenue for the year ended September 30, 2010 came from three major fundraising events.

**NATIONAL MULTIPLE SCLEROSIS SOCIETY, KENTUCKY-SOUTHEAST INDIANA
CHAPTER**

NOTES TO FINANCIAL STATEMENTS—Continued

NOTE 11—TAX-EXEMPT STATUS

The Chapter qualifies as a charitable organization as defined by Internal Revenue Code 501(c)(3), and, accordingly, it is exempt from federal income taxes under Internal Revenue Code Section 501(a). Additionally, since the Chapter is publicly supported, contributions made to the Chapter qualify for the maximum charitable contributions deduction under the Internal Revenue Code.

The FASB issued ASC Section 740-10 (formerly known as FASB Interpretation No. 48) *Accounting for Uncertainty in Income Taxes—an Interpretation of FASB No. 109*. This interpretation clarifies the accounting for income taxes by prescribing the minimum standard a tax position is required to meet before being recognized in the financial statements. ASC Section 740-10 is effective for fiscal years beginning after December 15, 2007. The Chapter has not taken any uncertain tax position that should be accounted for under ASC Section 740-10.

NOTE 12—MEMORANDUM DEBT

The National Multiple Sclerosis Society's (NMSS) Memorandum Debt policy defines Memorandum Debt as that debt from a chapter to National which National has put on "memorandum" status as a result of the chapter being current with all financial obligations to National for the last three fiscal years. "Memorandum" status means collection of the debt has been postponed and the chapter is no longer required to pay it back out of its normal operations. Therefore, Memorandum Debt is removed from the liability section of the chapter's Statement of Position.

Memorandum Debt will only be reduced in any debt-free year by a Research Honor Roll contribution from the chapter reserves. In this instance, the memorandum debt will be reduced by an amount equal to the dollar amount of the Honor Roll contribution. At September 30, 2011, the Chapter had memorandum debt totaling \$101,077.

NOTE 13—OTHER INFORMATION

The National Headquarters is fully supportive of, and supervises the Kentucky Chapter's operations and stands behind the Chapter operationally and financially.

NOTE 14—SUBSEQUENT EVENTS

The Chapter has evaluated events and transactions for potential recognition or disclosure through December 28, 2011, the date the financial statements were available for issuance.



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Trustees
National Multiple Sclerosis Society,
Kentucky-Southeast Indiana Chapter
Louisville, Kentucky

We have audited the financial statements of National Multiple Sclerosis Society, Kentucky-Southeast Indiana as of and for the year ended September 30, 2011, and have issued our report thereon dated December 28, 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 Schedule of Amount due National as of September 30, 2011, the Schedule of Income from Special Events and New Campaigns and the Schedule of Membership and Contributions for the year ended September 30, 2011 are 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.

McCauley, Nicolas & Company, LLC

McCauley, Nicolas & Company, LLC
Certified Public Accountants

Jeffersonville, Indiana
December 28, 2011

NATIONAL MULTIPLE SCLEROSIS SOCIETY, KENTUCKY-SOUTHEAST CHAPTER

SCHEDULE OF AMOUNT DUE NATIONAL MS SOCIETY
September 30, 2011

REMITTANCE:

Total FY2011 National Program Expense per Annual Remittance Invoice	\$ 243,790
Add:	
Research Honor roll contributed from chapter reserves	-
Research Honor roll contributed from specific gifts	-
Fast Forward Honor roll contributed from chapter reserves	-
Fast Forward Honor roll contributed from specific gifts	-
Restricted to Home Office other than Research received at the chapter	-
Change in Gift Annuity Income - Research (ENTER MANUALLY)	<u>-</u>
Total National Program Expense	243,790
Chapter Payments:	
Oct. '10 thru Sept. 2011	213,834
Less Payments for FY10 (including honor roll of \$0)	-
Less Payments for FY09 and prior years (ENTER MANUALLY)	<u>-</u>
Total Paid for FY 2011	<u>213,834</u>
Credits:	
Direct Mail Received At National in FY 2011 (current fiscal year):	<u>33,416</u>
Total Credits	33,416
Adjustment for change in Restricted Gift Annuity Income	<u>-</u>
Total Payments Credits and Adjustments	247,250
Balance Due National or (Chapter) for FY 2011	<u>(3,460)</u>
Remittance Indebtedness:	
Remittance Balance Due National or (Chapter) as of 9/30/10 (previous yr)	620,664
Less Payments for F10 in current year	-
Less Payments for FY09 and prior years during current year	-
Adjustment for change in value of restricted annuities receivable	-
Less Other reduction to Past Debt by National (e.g., move to Memo Debt)	<u>-</u>
Adjusted Balance Due National or (Chapter) for prior years	<u>620,664</u>
Total REMITTANCE Balance Due National (Chapter) at 9/30/2011	<u>\$ 617,204</u>
Current	<u>\$ (3,460)</u>
Long-term	<u>\$ 620,664</u>

OTHER PAYABLES TO NATIONAL:

Campaign Supplies	\$ 30
Loans & Advances	225,000
Health Insurance	-
Liability Insurance	-
IRC	778
Scholarships	-
Other (List and describe individually):	-
Contract services	316
Supplies	145
Employee recruiting	348
Annual fees and national e-mail	7,739
Credit memo	<u>(2,047)</u>
TOTAL OTHER PAYABLE TO NATIONAL	<u>\$ 232,309</u>

IN ADDITION - AMOUNTS PAYABLE TO/FROM OTHER CHAPTERS:

	\$ -
	<u>-</u>
Total due to (from) other Chapters at September 30, 2011	<u>\$ -</u>

NATIONAL MULTIPLE SCLEROSIS SOCIETY, KENTUCKY-SOUTHEAST INDIANA CHAPTER

SCHEDULE OF INCOME FROM SPECIAL EVENTS AND NEW CAMPAIGNS
for the year ended September 30, 2011

Event	Sponsorship		Other	Total	Campaign	Total	Benefit	Other	Total
	Cash	In-Kind	Restricted	Spon. & Other	Income	Income	to Donor	Direct	Costs
			Income	Restr.			Costs	Costs	Less Total
									Sponsorship
Walk MS	\$ 36,150		\$ -	\$ 36,150	\$ 291,703	\$ 327,853	\$ 19,447	\$ 16,687	\$ (16)
Bike MS	12,500		-	12,500	165,058	177,558	15,848	14,394	17,742
Dinner of Champions	1,000		-	1,000	18,031	19,031	13,562	1,641	14,203
Other Special Events									
Gala and Auctions	85,600	45,912	-	131,512	177,565	309,077	70,092	63,439	2,019
Other	6,500		-	6,500	32,022	38,522	8,568	931	2,999
Total Other Special Events	92,100	45,912	-	138,012	209,587	347,599	78,660	64,370	5,018
Total	\$ 141,750	\$ 45,912	\$ -	\$ 187,662	\$ 684,379	\$ 872,041	\$ 127,517	\$ 97,092	\$ 36,947

NATIONAL MULTIPLE SCLEROSIS SOCIETY, KENTUCKY-SOUTHEAST INDIANA CHAPTER

SCHEDULE OF MEMBERSHIPS AND CONTRIBUTIONS
for the year ended September 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2011	Amount of In-kind Included in Total
<u>Individual contributions</u>					
General gifts	\$ 30,717	\$ 900	\$ -	\$ 31,617	\$ -
Tributes and memorials	15,091	-	-	15,091	-
Workplace Giving/United Way	19,718	-	-	19,718	-
Total Individual Contributions	<u>65,526</u>	<u>900</u>	<u>-</u>	<u>66,426</u>	<u>-</u>
<u>Corporate Contributions</u>					
Corporate gifts	36,092	688	-	36,780	-
Matching gifts	1,579	-	-	1,579	-
Total Corporate Contributions	<u>37,671</u>	<u>688</u>	<u>-</u>	<u>38,359</u>	<u>-</u>
Foundation gifts and grants	<u>-</u>	<u>16,250</u>	<u>-</u>	<u>16,250</u>	<u>-</u>
<u>Other Campaign Income</u>					
Community (Third party) event income	13,900	3,000	-	16,900	-
Other campaign income	16	-	-	16	-
Total Other Campaign Income	<u>13,916</u>	<u>3,000</u>	<u>-</u>	<u>16,916</u>	<u>-</u>
Grand Total Memberships and Contributions	<u>\$ 117,113</u>	<u>\$ 20,838</u>	<u>\$ -</u>	<u>\$ 137,951</u>	<u>\$ -</u>