

**National Multiple Sclerosis Society,  
Kentucky - Southeast Indiana Chapter**

**Report on Audits of Financial Statements  
and Supplementary Information**

**For the Years Ended  
September 30, 2013 and 2012**

**National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter**

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September 30, 2013 and 2012

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## **Independent Auditor's Report**

To the Board of Trustees

### **National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter**

We have audited the accompanying financial statements of National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter (a nonprofit organization), 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 of America; 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**

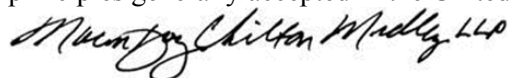
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, Kentucky-Southeast Indiana Chapter as of September 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Jeffersonville, Indiana  
December 19, 2013

**National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter**  
**Statements of Financial Position**  
**September 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Current Assets		
Cash	\$ 652,780	\$ 841,532
Contributions receivable	120,544	130,322
Due from National Multiple Sclerosis Society	7,589	-
Due from other chapters	304	-
Prepaid expenses and other assets	<u>5,279</u>	<u>3,807</u>
Total Current Assets	786,496	975,661
Noncurrent Assets		
Contributions receivable, net	37,007	-
Rent and security deposits	1,800	1,800
Assets held by Community Foundation of Louisville	11,200	10,029
Furniture, fixtures and equipment, net	<u>6,832</u>	<u>9,372</u>
Total Noncurrent Assets	<u>56,839</u>	<u>21,201</u>
Total Assets	<u>\$ 843,335</u>	<u>\$ 996,862</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Due National Multiple Sclerosis Society:		
Remittance due to home office	\$ -	\$ 71,134
Other payables to home office	2,647	39,712
Due to other chapters	4,613	-
Accounts payable and accrued expenses	96,019	89,582
Deferred revenue	<u>16,528</u>	<u>1,598</u>
Total Current Liabilities	119,807	202,026
Long-term Liabilities		
Other payables to home office	-	225,000
Due home office	<u>-</u>	<u>620,664</u>
Total Long-term Liabilities	-	845,664
Total Liabilities	119,807	1,047,690
Net Assets (Deficit)		
Unrestricted	712,328	(60,857)
Temporarily restricted	5,200	-
Permanently restricted	<u>6,000</u>	<u>10,029</u>
Total Net Assets (Deficit)	<u>723,528</u>	<u>(50,828)</u>
Total Liabilities and Net Assets	<u>\$ 843,335</u>	<u>\$ 996,862</u>

See accompanying notes.

**National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter**  
**Statements of Activities**  
**For the Years Ended September 30, 2013 and 2012**

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support								
Received Directly								
Special events (includes in-kind donations of \$41,743 in 2013 and \$44,431 in 2012)	\$ 1,042,673	\$ -	\$ -	\$ 1,042,673	\$ 975,870	\$ -	\$ -	\$ 975,870
Benefit to donor expenses	(207,431)	-	-	(207,431)	(166,076)	-	-	(166,076)
	835,242	-	-	835,242	809,794	-	-	809,794
Contributions (includes in-kind donations of \$24,919 in 2013 and \$11,719 in 2012)	355,576	-	-	355,576	110,740	-	-	110,740
Legacies	15,660	-	-	15,660	169,968	-	-	169,968
Received at home office (other than legacies)	-	-	-	-	25,502	-	-	25,502
Total Received Directly	1,206,478	-	-	1,206,478	1,116,004	-	-	1,116,004
Received Indirectly								
Federated Fund Raising Organization	-	-	-	-	519	-	-	519
Total Received Indirectly	-	-	-	-	519	-	-	519
Total Revenue from the Public	1,206,478	-	-	1,206,478	1,116,523	-	-	1,116,523
Investment income, net	765	1,171	-	1,936	860	-	1,490	2,350
Service program fees	1,239	-	-	1,239	2,139	-	-	2,139
Miscellaneous income	-	-	-	-	1,702	-	-	1,702
Debt forgiveness by home office	851,555	-	-	851,555	-	-	-	-
Net assets released from restriction	-	4,029	(4,029)	-	-	-	-	-
Total Revenues	2,060,037	5,200	(4,029)	2,061,208	1,121,224	-	1,490	1,122,714
Expenses								
Program Services:								
Research	463,695	-	-	463,695	168,921	-	-	168,921
Public support to National	175,761	-	-	175,761	132,723	-	-	132,723
Client programs	192,178	-	-	192,178	197,119	-	-	197,119
Community programs	108,191	-	-	108,191	105,848	-	-	105,848
Professional education and training	26,992	-	-	26,992	59,289	-	-	59,289
Public education	104,499	-	-	104,499	125,093	-	-	125,093
Total Program Services	1,071,316	-	-	1,071,316	788,993	-	-	788,993
Supporting Services:								
Fund-raising	163,716	-	-	163,716	145,683	-	-	145,683
Management and general	51,820	-	-	51,820	39,386	-	-	39,386
Total Supporting Services	215,536	-	-	215,536	185,069	-	-	185,069
Total Expenses	1,286,852	-	-	1,286,852	974,062	-	-	974,062
Change in Net Assets	773,185	5,200	(4,029)	774,356	147,162	-	1,490	148,652
Net Assets (Deficit) at Beginning of Year	(60,857)	-	10,029	(50,828)	(208,019)	-	8,539	(199,480)
Net Assets (Deficit) at End of Year	\$ 712,328	\$ 5,200	\$ 6,000	\$ 723,528	\$ (60,857)	\$ -	\$ 10,029	\$ (50,828)

See accompanying notes.

**National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter**  
**Statements of Cash Flows**  
**For the Years Ended September 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 774,356	\$ 148,652
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Debt forgiveness by home office	(851,555)	-
Depreciation	2,540	3,894
Changes in operating assets and liabilities:		
Contributions receivable	(27,229)	(6,149)
Prepaid expenses and other assets	(1,472)	918
Due from National Multiple Sclerosis Society	(7,893)	3,460
Due to National Multiple Sclerosis Society	(97,695)	103,537
Accounts payable and accrued expenses	6,437	35,753
Deferred revenue	14,930	1,598
	<u>(187,581)</u>	<u>291,663</u>
Net Cash (Used) Provided by Operating Activities		
Cash Flows from Investing Activities		
Purchases of furniture, fixtures and equipment	<u>-</u>	<u>(10,929)</u>
Net Cash Used by Investing Activities	-	(10,929)
Cash Flows from Financing Activities		
Net change to restricted investments	<u>(1,171)</u>	<u>(1,490)</u>
Net Cash Used by Financing Activities	<u>(1,171)</u>	<u>(1,490)</u>
Net (Decrease) Increase in Cash	(188,752)	279,244
Cash at Beginning of Year	<u>841,532</u>	<u>562,288</u>
Cash at End of Year	<u>\$ 652,780</u>	<u>\$ 841,532</u>

See accompanying notes.

**National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter**  
**Statement of Functional Expenses**  
**For the Year Ended September 30, 2013**

	Program Services						Supporting Services			Total Programs & Support	Benefit To Donor Costs	Grand Total
	Research	Society Activities	Client Programs	Community Programs	Professional Education and Training	Public Education	Total	Fund Raising	Management and General			
Salaries	\$ -	\$ -	\$ 96,057	\$ 70,779	\$ 18,200	\$ 60,331	\$ 245,367	\$ 56,623	\$ 35,052	\$ 337,042	\$ -	\$ 337,042
Employee benefits	-	-	7,764	5,721	1,471	4,876	19,832	4,576	2,833	27,241	-	27,241
Payroll taxes	-	-	10,127	7,462	1,919	6,360	25,868	5,970	3,695	35,533	-	35,533
Total salaries and related expenses	-	-	113,948	83,962	21,590	71,567	291,067	67,169	41,580	399,816	-	399,816
Printing	-	-	3,212	616	111	15,430	19,369	13,735	215	33,319	-	33,319
Postage and shipping	-	-	903	363	93	309	1,668	2,098	180	3,946	-	3,946
Telephone	-	-	3,970	2,799	718	2,382	9,869	2,261	1,384	13,514	-	13,514
Supplies	-	-	1,589	1,216	288	955	4,048	1,819	555	6,422	20,426	26,848
Dues and memberships	-	-	643	474	122	404	1,643	601	235	2,479	-	2,479
Professional and other contract service fees	-	-	7,363	4,326	1,112	3,687	16,488	45,852	1,998	64,338	-	64,338
Travel	-	-	6,585	4,535	587	1,900	13,607	12,332	1,104	27,043	81,751	108,794
Meetings	-	-	11,211	1,299	160	532	13,202	3,013	309	16,524	24,205	40,729
Occupancy	-	-	7,518	5,539	1,424	4,722	19,203	4,432	2,743	26,378	14,083	40,461
Furniture and equipment	-	-	1,311	966	248	823	3,348	773	478	4,599	-	4,599
Insurance (Property & Casualty)	-	-	1,056	778	200	664	2,698	623	386	3,707	-	3,707
Direct Financial Assistance	-	-	30,959	-	-	-	30,959	-	-	30,959	-	30,959
Awards and prizes	-	-	136	30	8	25	199	795	15	1,009	24,370	25,379
Miscellaneous expense	-	-	1,050	755	194	644	2,643	7,786	374	10,803	42,596	53,399
Depreciation	-	-	724	533	137	455	1,849	427	264	2,540	-	2,540
Restricted contributions to												
Society Research Investment	240,000	-	-	-	-	-	240,000	-	-	240,000	-	240,000
Chapter Support of Society Research Investment	223,695	-	-	-	-	-	223,695	-	-	223,695	-	223,695
Total Expenses before Chapter Support of Society Activities	463,695	-	192,178	108,191	26,992	104,499	895,555	163,716	51,820	1,111,091	207,431	1,318,522
Chapter Support of Society Activities	-	175,761	-	-	-	-	175,761	-	-	175,761	-	175,761
Total Expenses	<u>\$ 463,695</u>	<u>\$ 175,761</u>	<u>\$ 192,178</u>	<u>\$ 108,191</u>	<u>\$ 26,992</u>	<u>\$ 104,499</u>	<u>\$ 1,071,316</u>	<u>\$ 163,716</u>	<u>\$ 51,820</u>	<u>\$ 1,286,852</u>	<u>\$ 207,431</u>	1,494,283
Less Direct Benefit to Donor Costs												( 207,431 )
Total expenses as reported on the statements of activities												<u>\$ 1,286,852</u>

**National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter**  
**Statement of Functional Expenses**  
**For the Year Ended September 30, 2012**

	Program Services						Supporting Services			Total Programs & Support	Benefit to Donor Costs	Grand Total
	Research	Society Activities	Client Programs	Community Programs	Professional Education and Training	Public Education	Total	Fund Raising	Management and General			
Salaries	\$ -	\$ -	\$ 61,791	\$ 56,418	\$ 32,239	\$ 59,105	\$ 209,553	\$ 37,612	\$ 21,493	\$ 268,658	\$ -	\$ 268,658
Employee benefits	-	-	12,398	11,320	6,469	11,859	42,046	7,547	4,312	53,905	-	53,905
Payroll taxes	-	-	5,213	4,759	2,720	4,986	17,678	3,173	1,813	22,664	-	22,664
<b>Total Salaries and Related Expenses</b>	-	-	79,402	72,497	41,428	75,950	269,277	48,332	27,618	345,227	-	345,227
Printing	-	-	1,691	728	416	16,713	19,548	18,433	278	38,259	-	38,259
Postage and shipping	-	-	1,619	881	503	1,743	4,746	2,473	336	7,555	-	7,555
Telephone	-	-	3,265	2,940	1,680	3,080	10,965	2,076	1,120	14,161	-	14,161
Supplies	-	-	1,780	1,234	705	1,293	5,012	823	470	6,305	51,753	58,058
Dues and memberships	-	-	246	224	128	235	833	195	86	1,114	-	1,114
Professional and other contract service fees	-	-	50,982	9,388	5,365	9,835	75,570	45,906	3,576	125,052	-	125,052
Travel	-	-	5,731	4,704	1,827	2,974	15,236	11,710	1,082	28,028	66,953	94,981
Meetings	-	-	8,543	2,085	857	1,571	13,056	2,035	571	15,662	3,726	19,388
Occupancy	-	-	6,605	6,031	3,446	6,318	22,400	4,021	2,297	28,718	20,968	49,686
Furniture and equipment	-	-	1,984	1,811	1,035	1,898	6,728	1,208	690	8,626	-	8,626
Insurance (property and casualty)	-	-	784	716	409	750	2,659	477	273	3,409	-	3,409
Direct financial assistance	-	-	31,629	-	-	-	31,629	-	-	31,629	-	31,629
Awards and prizes	-	-	12	11	6	11	40	163	4	207	10,306	10,513
Miscellaneous expense	-	-	1,950	1,780	1,017	1,865	6,612	7,286	674	14,572	12,370	26,942
Depreciation and amortization	-	-	896	818	467	857	3,038	545	311	3,894	-	3,894
Restricted contributions to National for research and other activities	-	-	-	-	-	-	-	-	-	-	-	-
Chapter Support of Society Research Investment	168,921	-	-	-	-	-	168,921	-	-	168,921	-	168,921
<b>Total Expenses Before Chapter Support of Society Activities</b>	168,921	-	197,119	105,848	59,289	125,093	656,270	145,683	39,386	841,339	166,076	1,007,415
Chapter Support of Society Activities	-	132,723	-	-	-	-	132,723	-	-	132,723	-	132,723
<b>Total Expenses</b>	<u>\$ 168,921</u>	<u>\$ 132,723</u>	<u>\$ 197,119</u>	<u>\$ 105,848</u>	<u>\$ 59,289</u>	<u>\$ 125,093</u>	<u>\$ 788,993</u>	<u>\$ 145,683</u>	<u>\$ 39,386</u>	<u>\$ 974,062</u>	<u>\$ 166,076</u>	<u>\$ 1,140,138</u>
Less Direct Benefit to Donor Costs												(166,076)
Total expenses as reported on the statements of activities												<u>\$ 974,062</u>

See accompanying notes.



**National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter**  
**Notes to Financial Statements**  
**September 30, 2013 and 2012**

**Note A - Nature of Organization**

National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter (the "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, 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.

**Note B - Summary of Significant Accounting Policies**

1. Basis of Accounting: The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Accounting Standards Codification ("ASC") as produced by the Financial Accounting Standards Board ("FASB") is the sole source of authoritative GAAP for non-governmental entities.
2. 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.
3. Cash and Cash Equivalents: The Chapter considers all short-term investments with an original maturity of three months or less to be cash equivalents. As of September 30, 2013 and 2012, the Chapter's cash was held in one bank.
4. 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, 2013 and 2012 as well as multi-year pledges for a campaign to raise funds for research. The Chapter uses the allowance for bad debts method of valuing uncollectible contributions, 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, 2013 and 2012.
5. Assets Held by Community Foundation of Louisville: Investments consist of assets held by the Community Foundation of Louisville. The net change in unrealized gains or losses as well as interest and dividend income is included in the Statements of Activities. Donated securities, if any, are recorded as contributions at their fair value at date of gift. See Note D for additional information.
6. Furniture, Fixtures and Equipment: Furniture, fixtures and equipment are recorded at cost. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets. Expenditures for maintenance and repairs are charged to operations as incurred. The Chapter capitalizes all equipment purchases exceeding \$1,000 with useful lives in excess of one year. The estimated useful lives of furniture, fixtures and equipment are 3 to 10 years.

**National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter**  
**Notes to Financial Statements (Continued)**  
**September 30, 2013 and 2012**

**Note B - Summary of Significant Accounting Policies (Continued)**

7. 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.

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.

8. Donated Goods and Services: Donated goods and services 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 at the date of receipt.

	<u>2013</u>	<u>2012</u>
Donated goods	\$ 42,662	\$ 46,450
Donated services	<u>24,000</u>	<u>9,700</u>
Total	<u>\$ 66,662</u>	<u>\$ 56,150</u>

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.

9. 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. 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 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.

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

**National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter**  
**Notes to Financial Statements (Continued)**  
**September 30, 2013 and 2012**

**Note B - Summary of Significant Accounting Policies (Continued)**

10. 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.
11. Advertising: Advertising costs are expensed as incurred. Advertising expense was \$4,275 and \$693 for the years ended September 30, 2013 and 2012 respectively.
12. Research and National Activities Expense: The National Multiple Sclerosis Society (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 FY 2013 and 2012, the Chapter's National Program Expense under the new policy was calculated to be \$399,456 and \$301,644, respectively. 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 Home Office's direct marketing program. In FY12, 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 Home Office in FY12 in the accompanying Statements of Activities. In order to drive Society initiative, the Direct Marketing Program revenue distribution has been revised for FY13. The Chapter no longer records the net revenue from the program as contributions received from home office, but rather received credit towards its National Programs Expense for 50% of the actual FY11 audited Direct Marketing revenue.

In addition to the fixed amount of National Programs Expense for FY13, the Chapter made an additional contribution to the national organization in the amount of \$240,000 which was earmarked for Research and other national programs. This amount is reflected in Research in the accompanying statements of activities.

13. Concentration of Credit Risk: The Chapter maintains a portion of its cash in deposits and fund accounts that at times may exceed federally insured limits. The Chapter has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash accounts. The Chapter had approximately \$371,700 of uninsured cash balances at September 30, 2013. The Chapter did not have any uninsured cash balances at September 30, 2012.
14. Subsequent Events: Subsequent events for the Agency have been evaluated through the Independent Auditor's Report, which represents the date that the financial statements were available to be issued.

**National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter**  
**Notes to Financial Statements (Continued)**  
**September 30, 2013 and 2012**

**Note C - Contributions Receivable**

Contributions receivable consist of accruals of public support for fundraising events held during the years ended September 30, 2013 and 2012. In addition, during the year ended September 30, 2013, the Chapter began a campaign to raise funds for research.

Contributions receivable are due according to the following schedule:

	<u>2013</u>	<u>2012</u>
Contributions receivable in less than one year	\$ 120,544	\$ 130,322
Contributions receivable in one to four years	<u>38,138</u>	<u>-</u>
Gross Contributions Receivable	158,682	130,322
Less: discount for present value	<u>(1,131)</u>	<u>-</u>
Net Contributions Receivable	157,551	130,322
Less: current portion	<u>(120,544)</u>	<u>(130,322)</u>
Net Contributions Receivable, Noncurrent Portion	<u>\$ 37,007</u>	<u>\$ -</u>

Contributions receivable in future years have been discounted at 2.5%

**Note D - Assets Held by Community Foundation of Louisville**

In a prior year, the Chapter transferred funds to the Community Foundation of Louisville (the "Foundation") to create an irrevocable endowment within the Foundation. Because the Chapter specified itself as the beneficiary and the transfer did not meet the conditions of an equity transaction, the funds are considered a refundable advance and are reported as an asset of the Chapter on the Statements of Financial Position. In the event of the dissolution of the Chapter, the Chapter reserves the right to name a qualified successor organization. The original amount transferred to the Foundation totaling \$6,000 is considered permanently restricted. Earnings on the funds are considered temporarily restricted until appropriated for expenditure. In accordance with the Foundation's spending policy, a portion of the earnings from the fund are made available to the Chapter on a quarterly basis. The balance of the account at September 30, 2013 and 2012, totaled \$11,200 and \$10,029, respectively.

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Assets held by Community Foundation of Louisville	<u>\$ 6,000</u>	<u>\$ 11,200</u>	<u>\$ 6,000</u>	<u>\$ 10,029</u>

**National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter**  
**Notes to Financial Statements (Continued)**  
**September 30, 2013 and 2012**

**Note D - Assets Held by Community Foundation of Louisville (Continued)**

The Chapter reported net investment income of \$1,171 and \$1,490 for the years ended September 30, 2013 and 2012, respectively, as follows:

	2013	2012
Interest and dividends	\$ 252	\$ 190
Realized gain	232	93
Unrealized gain (loss)	831	1,332
	1,315	1,615
Less: fees	(144)	(125)
Total	\$ 1,171	\$ 1,490

**Note E- 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.

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

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

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.

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.

Following is a description of the valuation methodologies used for the assets and liabilities measured at fair value. There have been no changes in the methodologies used to determine fair value at September 30, 2013 and 2012.

Assets held by the Community Foundation of Louisville: These investments are valued using the Net Asset Value ("NAV") provided by the Foundation. The NAV is based on the value of the underlying investment assets.

**National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter**  
**Notes to Financial Statements (Continued)**  
**September 30, 2013 and 2012**

**Note E- Fair Value Measurements (Continued)**

The following table provides the fair value hierarchy of the Chapter's financial assets as of September 30, 2013 and 2012:

September 30, 2013

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets held by				
Community Foundation of Louisville	<u>\$ 11,200</u>	<u>\$ -</u>	<u>\$ 11,200</u>	<u>\$ -</u>

September 30, 2012

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets held by				
Community Foundation of Louisville	<u>\$ 10,029</u>	<u>\$ -</u>	<u>\$ 10,029</u>	<u>\$ -</u>

**Note F- Furniture, Fixtures and Equipment**

Furniture, fixtures and equipment at September 30, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Furniture, fixtures and equipment	\$ 16,603	\$ 42,803
Less: accumulated depreciation	<u>(9,771)</u>	<u>(33,431)</u>
Furniture, Fixtures and Equipment, Net	<u>\$ 6,832</u>	<u>\$ 9,372</u>

**Note G - Contributions Restricted for Local Use**

During the years ended September 30, 2013 and 2012, the Chapter received contributions of \$-0- and \$35, respectively, which were restricted by the donors to be used solely for local chapter services.

**Note H - Retirement 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 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 President & Chief Executive Officer was 3% of gross annual salary for both years. In accordance with the Plan's provisions, contributions required in any given year are first offset by forfeitures of unvested Chapter contributions for terminated participants. The pension expense, net of forfeitures, related to this plan for the years ended September 30, 2013 and 2012 was \$8 and \$6,700, 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.

**National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter**  
**Notes to Financial Statements (Continued)**  
**September 30, 2013 and 2012**

**Note I - Joint Costs**

During the years ended September 30, 2013 and 2012, the Chapter incurred joint costs of \$648 and \$1,361, respectively, for informational materials and activities that included fund-raising appeals. Such costs were allocated in accordance with the requirements of the ASC Section 958-72 *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 \$599 and \$1,279 to fund-raising expense and \$49 and \$82 to public education for the years ended September 30, 2013 and 2012, respectively.

**Note J - Lease Commitments**

The Chapter leases its administrative offices. The lease expires December 31, 2014, with one renewal option for three years. Under the agreement, monthly lease payments are \$1,833. The rental expense of Chapter office space was \$21,996 and \$25,751 for the years ended September 30, 2013 and 2012, respectively. Minimum rental payments are as follows for the years ended September 30:

2014	\$ 21,996
2015	<u>5,499</u>
Total	<u>\$ 27,495</u>

**Note K - Concentration of Risk**

Approximately 37% and 61% of the Chapter's revenue for the years ended September 30, 2013 and 2012, respectively, came from three major fundraising events.

**Note L - Memorandum Debt**

Memorandum Debt is a debt obligation owed for more than three years from the Chapter to the Society that has been removed from the Statement of Financial Position due to maintaining certain operating and financial criteria as defined by the Society over a three year period. Memorandum debt can be reduced through an Honor Roll contribution beyond the National Programs Expense allocation. It is the intent of the Chapter to repay Memorandum Debt to the Society.

The Society placed the Chapter's debt obligation of \$851,555 in memorandum status during the year ended September 30, 2013, which is included as Other Income on the accompanying Statement of Activities. The Chapter has memorandum debt totaling \$712,632 and \$101,077 at September 30, 2013 and 2012, respectively. Memorandum debt is not included on the accompany Statements of Financial Position.

**Note M - Income Tax 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 Chapter is also exempt from state and local income tax.

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

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 the years ended on or prior to September 30, 2009 under federal and state tax jurisdictions.

## **Supplementary Information**



## Independent Auditor's Report on Supplementary Information

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

We have audited the financial statements of National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter, as of and for the years ended September 30, 2013 and 2012, and have issued our report thereon dated December 19, 2013, which contained an unmodified 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, 2013, the Schedule of Income from Special Events and the Schedule of Contributions for the year ended September 30, 2013, are presented for the purposes of additional analysis and are 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.

A handwritten signature in black ink that reads 'Mountjoy Chilton Medley, LLP'.

Jeffersonville, Indiana  
December 19, 2013

**National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter  
Schedule of Amount due National MS Society  
For the Year Ended September 30, 2013**

**Remittance:**

Total FY2013 National Program Expense per Annual Remittance Invoice \$ 399,456

**Add:**

Research Honor roll contributed from chapter reserves	-
Research Honor roll contributed from specific gifts	240,000
Restricted to Home Office other than Research received at the chapter	-
Total National Program Expense	639,456

**Chapter Payments:**

Oct. 2012 thru Sept. 2013	710,590
Less Payments for FY12 (including honor roll of \$0)	71,134
Less Payments for FY11 and prior years	-
Total Paid for FY 2013	639,456

**Credits:**

Miscellaneous Credits	-
Total Credits	-
Total Payments Credits and Adjustments	639,456

Balance Due National or (Chapter) for FY 2013 -

**Remittance Indebtedness:**

Remittance Balance Due National or (Chapter) as of 9/30/12 (previous yr)	691,798
Less Payments for FY12 in current year	(71,134)
Less Payments for FY11 and prior years during current year	-
Less Other reduction to Past Debt by National (e.g., move to Memo Debt)	(620,664)
	-

**Adjusted Balance Due National or (Chapter) for prior years**

Total Remittance Balance Due National (Chapter) at 9/30/2013 \$ -

**Current**

**Long-term**

**Other Payables to National:**

Campaign Supplies	\$ -
Loans & Advances	-
Health Insurance	-
Scholarships	-
Other (List and describe individually):	
Convio Usage Fees	416
Benefits	2,647
Bike subscription	45
Credit memo	(461)
Total Other Payables to National	\$ 2,647

**Current**

**Long-term**

**In Addition - Amounts Payable To / From Other Chapters:**

Greater Carolinas Chapter	613
Ohio Valley Chapter	4,000
Due from Georgia Chapter	(304)
	-

Total Due to (From) Other Chapters at September 30, 2013 \$ 4,309

**Current**

**Long-term**

See independent auditor's report on supplementary information.

**National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter**  
**Schedule of Income from Special Events**  
**For the Year Ended September 30, 2013**

	Sponsorship Cash	In-Kind	Other Restricted Income	Total Spon. & Other Restr.	Campaign Income	Total Income	Benefit to Donor Costs	Other Event Costs	Total Costs
Event									
Walk MS	\$ 57,860	\$ 8,100	\$ -	\$ 65,960	\$ 329,434	\$ 395,394	\$ 25,152	\$ 11,316	\$ 36,468
Challenge Walk	833	-	-	833	30,596	31,429	8,815	2,341	11,156
Bike MS	13,500	6,500	-	20,000	165,442	185,442	46,969	19,601	66,570
Other Special Events									
Crystal Boots-Louisville	146,600	13,300	-	159,900	177,269	337,169	90,374	44,474	134,848
Crystal Boots-Lexington	12,800	6,143	-	18,943	31,040	49,983	19,930	689	20,619
Best of Louisville Bash	9,500	7,700	-	17,200	26,056	43,256	16,191	1,296	17,487
Total Other Special Events	168,900	27,143	-	196,043	234,365	430,408	126,495	46,459	172,954
Total	<u>\$ 241,093</u>	<u>\$ 41,743</u>	<u>\$ -</u>	<u>\$ 282,836</u>	<u>\$ 759,837</u>	<u>\$ 1,042,673</u>	<u>\$ 207,431</u>	<u>\$ 79,717</u>	<u>\$ 287,148</u>

See independent auditor's report on supplementary information.

**National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter**  
**Schedule of Contributions**  
**For the Year Ended September 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals 2013</u>	<u>Amount of In-kind Included in Total</u>
Individual contributions:					
General gifts	\$ 246,117	\$ -	\$ -	\$ 246,117	\$ -
Tributes and memorials	10,523	-	-	10,523	-
Workplace Giving/United Way	18,061	-	-	18,061	-
Total Individual Contributions	274,701	-	-	274,701	-
Corporate Contributions:					
Corporate gifts	39,177	-	-	39,177	24,919
Matching gifts	824	-	-	824	-
Total Corporate Contributions	40,001	-	-	40,001	24,919
Foundation Gifts and Grants	9,157	-	-	9,157	-
Other Campaign Income					
Community (Third party) event income	31,717	-	-	31,717	-
Grand Total Memberships and Contributions	<u>\$ 355,576</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 355,576</u>	<u>\$ 24,919</u>

See independent auditor's report on supplementary information.