

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

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

**For the Years Ended
September 30, 2014 and 2013**

National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter

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September 30, 2014 and 2013

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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, 2014 and 2013, 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.

Kentucky
Indiana
Ohio

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Independent Auditor's Report (Continued)

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, 2014 and 2013, 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.

A handwritten signature in black ink that reads "Mungo Chilton Madley, LLP". The signature is written in a cursive, flowing style.

Jeffersonville, Indiana
December 8, 2014

National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter
Statements of Financial Position
September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
Current Assets		
Cash	\$ 252,703	\$ 652,780
Contributions receivable	372,239	120,544
Due from National Multiple Sclerosis Society	3,617	7,589
Due from other chapters	206	304
Prepaid expenses and other assets	<u>7,588</u>	<u>5,279</u>
Total Current Assets	636,353	786,496
Noncurrent Assets		
Contributions receivable, net	9,840	37,007
Rent and security deposits	1,800	1,800
Assets held by Community Foundation of Louisville	12,087	11,200
Furniture, fixtures and equipment, net	4,509	6,832
Interest in National Multiple Sclerosis Society's pooled investments	<u>227,653</u>	<u>-</u>
Total Noncurrent Assets	<u>255,889</u>	<u>56,839</u>
Total Assets	<u>\$ 892,242</u>	<u>\$ 843,335</u>
Liabilities and Net Assets		
Current Liabilities		
Due to National Multiple Sclerosis Society:		
Remittance due to home office	\$ 250,000	\$ -
Other payables to home office	1,713	2,647
Due to other chapters	-	4,613
Accounts payable and accrued expenses	63,705	96,019
Deferred revenue	<u>16,750</u>	<u>16,528</u>
Total Current Liabilities	332,168	119,807
Net Assets		
Unrestricted	547,987	712,328
Temporarily restricted	6,087	5,200
Permanently restricted	<u>6,000</u>	<u>6,000</u>
Total Net Assets	<u>560,074</u>	<u>723,528</u>
Total Liabilities and Net Assets	<u>\$ 892,242</u>	<u>\$ 843,335</u>

See accompanying notes.

National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter
Statements of Activities
For the Years Ended September 30, 2014 and 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support								
Received Directly								
Special events (includes in-kind donations of \$88,597 in 2014 and \$41,743 in 2013)	\$ 1,022,050	\$ -	\$ -	\$ 1,022,050	\$ 1,042,673	\$ -	\$ -	\$ 1,042,673
Benefit to donor expenses	(223,242)	-	-	(223,242)	(207,431)	-	-	(207,431)
	798,808	-	-	798,808	835,242	-	-	835,242
Contributions (includes in-kind donations of \$18,264 in 2014 and \$24,919 in 2013)	370,217	-	-	370,217	355,576	-	-	355,576
Legacies	21,256	-	-	21,256	15,660	-	-	15,660
Total Revenue from the Public	1,190,281	-	-	1,190,281	1,206,478	-	-	1,206,478
Investment income, net	559	887	-	1,446	765	1,171	-	1,936
Service program fees	1,750	-	-	1,750	1,239	-	-	1,239
Miscellaneous income	129	-	-	129	-	-	-	-
Debt forgiveness by home office	-	-	-	-	851,555	-	-	851,555
Net assets released from restriction	-	-	-	-	-	4,029	(4,029)	-
Total Revenues	1,192,719	887	-	1,193,606	2,060,037	5,200	(4,029)	2,061,208
Expenses								
Program Services:								
Research	514,033	-	-	514,033	463,695	-	-	463,695
Public support to National	191,196	-	-	191,196	175,761	-	-	175,761
Client programs	134,225	-	-	134,225	192,178	-	-	192,178
Community programs	47,780	-	-	47,780	108,191	-	-	108,191
Professional education and training	37,896	-	-	37,896	26,992	-	-	26,992
Public education	70,192	-	-	70,192	104,499	-	-	104,499
Total Program Services	995,322	-	-	995,322	1,071,316	-	-	1,071,316
Supporting Services:								
Fund-raising	256,308	-	-	256,308	163,716	-	-	163,716
Management and general	105,430	-	-	105,430	51,820	-	-	51,820
Total Supporting Services	361,738	-	-	361,738	215,536	-	-	215,536
Total Expenses	1,357,060	-	-	1,357,060	1,286,852	-	-	1,286,852
Change in Net Assets	(164,341)	887	-	(163,454)	773,185	5,200	(4,029)	774,356
Net Assets (Deficit) at Beginning of Year	712,328	5,200	6,000	723,528	(60,857)	-	10,029	(50,828)
Net Assets at End of Year	\$ 547,987	\$ 6,087	\$ 6,000	\$ 560,074	\$ 712,328	\$ 5,200	\$ 6,000	\$ 723,528

See accompanying notes.

National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter
Statements of Cash Flows
For the Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (163,454)	\$ 774,356
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Bad debt expense	6,418	-
Debt forgiveness by home office	-	(851,555)
Depreciation	2,323	2,540
Loss on investments, net	32	-
Changes in operating assets and liabilities:		
Contributions receivable	(230,946)	(27,229)
Prepaid expenses and other assets	(2,309)	(1,472)
Due from National Multiple Sclerosis Society	4,070	(7,893)
Due to National Multiple Sclerosis Society	244,453	(97,695)
Accounts payable and accrued expenses	(32,314)	6,437
Deferred revenue	222	14,930
	<u>(171,505)</u>	<u>(187,581)</u>
Net Cash Used by Operating Activities	(171,505)	(187,581)
Cash Flows from Investing Activities		
Purchase of investments	<u>(227,685)</u>	<u>-</u>
Net Cash Used by Investing Activities	(227,685)	-
Cash Flows from Financing Activities		
Net change to restricted investments	<u>(887)</u>	<u>(1,171)</u>
Net Cash Used by Financing Activities	<u>(887)</u>	<u>(1,171)</u>
Net Decrease in Cash	(400,077)	(188,752)
Cash at Beginning of Year	<u>652,780</u>	<u>841,532</u>
Cash at End of Year	<u>\$ 252,703</u>	<u>\$ 652,780</u>

See accompanying notes.

National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter
Statement of Functional Expenses
For the Year Ended September 30, 2014

	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	\$ -	\$ -	\$ 49,297	\$ 29,978	\$ 25,981	\$ 42,969	\$ 148,225	\$ 112,585	\$ 72,281	\$ 333,091	\$ -	\$ 333,091
Employee benefits	-	-	4,875	2,965	2,569	4,250	14,659	11,134	7,148	32,941	-	32,941
Payroll taxes	-	-	4,960	3,016	2,614	4,323	14,913	11,327	7,272	33,512	-	33,512
Total Salaries and Related Expenses	-	-	59,132	35,959	31,164	51,542	177,797	135,046	86,701	399,544	-	399,544
Printing	-	-	2,414	508	189	7,676	10,787	8,129	524	19,440	-	19,440
Postage and shipping	-	-	570	307	266	440	1,583	2,935	740	5,258	-	5,258
Telephone	-	-	1,734	968	831	1,374	4,907	3,600	2,311	10,818	-	10,818
Supplies	-	-	1,007	614	488	807	2,916	2,579	1,357	6,852	12,501	19,353
Dues and memberships	-	-	333	702	175	290	1,500	1,573	488	3,561	-	3,561
Professional and other contract service fees	-	-	4,111	1,458	1,263	2,240	9,072	47,256	3,515	59,843	-	59,843
Donated Advertising	-	-	-	-	-	-	-	13,000	-	13,000	-	13,000
Travel	-	-	3,507	3,895	608	1,006	9,016	8,362	1,692	19,070	82,991	102,061
Meetings	-	-	27,253	408	347	573	28,581	2,921	964	32,466	18,875	51,341
Occupancy	-	-	3,262	1,984	1,719	2,843	9,808	11,250	4,783	25,841	41,880	67,721
Furniture and equipment	-	-	455	277	240	397	1,369	1,039	667	3,075	-	3,075
Direct Financial Assistance	-	-	28,984	-	-	-	28,984	-	-	28,984	-	28,984
Awards and prizes	-	-	345	28	24	40	437	126	67	630	20,765	21,395
Miscellaneous expense	-	-	774	463	401	664	2,302	17,707	1,117	21,126	46,230	67,356
Depreciation	-	-	344	209	181	300	1,034	785	504	2,323	-	2,323
Restricted contributions to Society Research Investment	250,000	-	-	-	-	-	250,000	-	-	250,000	-	250,000
Chapter Support of Society Research Investment	264,033	-	-	-	-	-	264,033	-	-	264,033	-	264,033
Total Expenses Before Chapter Support of Society Activities	514,033	-	134,225	47,780	37,896	70,192	804,126	256,308	105,430	1,165,864	223,242	1,389,106
Chapter Support of Society Activities	-	191,196	-	-	-	-	191,196	-	-	191,196	-	191,196
Total Expenses	<u>\$ 514,033</u>	<u>\$ 191,196</u>	<u>\$ 134,225</u>	<u>\$ 47,780</u>	<u>\$ 37,896</u>	<u>\$ 70,192</u>	<u>\$ 995,322</u>	<u>\$ 256,308</u>	<u>\$ 105,430</u>	<u>\$ 1,357,060</u>	<u>\$ 223,242</u>	<u>1,580,302</u>
Less Direct Benefit to Donor Costs												(223,242)
Total Expenses as Reported on the Statements of Activities												<u>\$ 1,357,060</u>

National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter
Statement of Functional Expenses (Continued)
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	\$ 463,695	\$ 175,761	\$ 192,178	\$ 108,191	\$ 26,992	\$ 104,499	\$ 1,071,316	\$ 163,716	\$ 51,820	\$ 1,286,852	\$ 207,431	\$ 1,494,283
Less Direct Benefit to Donor Costs												(207,431)
Total Expenses as Reported on the Statements of Activities												\$ 1,286,852

See accompanying notes.

National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter
Notes to Financial Statements
September 30, 2014 and 2013

Note A - Nature of Organization

The National Multiple Sclerosis Society ("the Society") is a not-for-profit voluntary health and welfare agency that helps each person address the challenges of living with MS through a 50-state network of chapters. The Kentucky-Southeast Indiana Chapter ("the Chapter") raises funds in Kentucky and southeast Indiana to fund cutting-edge research, drive change through advocacy, facilitate professional education, and provide programs and services that help people with MS and their families move their lives forward.

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.
2. Use of Estimates: The preparation of financial statements in conformity with GAAP 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, 2014 and 2013, 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, 2014 and 2013 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, 2014 and 2013.
5. Investments: Investments consist of assets held by the Community Foundation of Louisville and the Chapter's interest in National Multiple Sclerosis Society's pooled investment fund. 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 Notes D and E 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, 2014 and 2013

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>2014</u>	<u>2013</u>
Donated goods	\$ 43,716	\$ 42,662
Donated services	<u>63,145</u>	<u>24,000</u>
Total	<u>\$ 106,861</u>	<u>\$ 66,662</u>

Donated advertising received in FY14 and FY13 totaled approximately \$13,000 and \$0, respectively, and is reflected above as donated goods and as fundraising expense in the accompanying Statement of Activities.

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, 2014 and 2013

Note B - Summary of Significant Accounting Policies (Continued)

10. Functional Allocation of Expenses: 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 \$15,443 and \$4,275 for the years ended September 30, 2014 and 2013 respectively, consisting of \$13,000 and \$0 in donated advertising.
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 2014 and 2013, the Chapter's National Program Expense was calculated to be \$455,229 and \$399,456, 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.

In addition to the fixed amount of National Programs Expense, the Chapter made an additional contribution to the national organization in the amount of \$250,000 and \$240,000 for the years ended September 30, 2014 and 2013, respectively. The contributions were earmarked for Research. This amount is reflected as a "Research" expense in the accompanying Statements of Activities.

13. Concentration of Credit Risk: Deposits at the Chapter's financial institutions are insured by the Federal Deposit Insurance Corporation 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 accounts. The Chapter had approximately \$9,600 and \$371,700 of uninsured cash balances for the years ended September 30, 2014 and 2013, respectively.
14. Subsequent Events: Subsequent events for the Chapter 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, 2014 and 2013

Note C - Contributions Receivable

Contributions receivable consist of accruals of public support for fundraising events held during the years ended September 30, 2014 and 2013. During the year ending September 30, 2014, the Chapter received an unconditional promise to give from an organization totaling \$250,000. The contribution will be remitted to the Society to be used for research and is therefore recorded as "Remittance due to Home Office" on the Statements of Financial Position. In addition, during the year ended September 30, 2013, the Chapter held a campaign to raise funds for research which consisted of multi-year pledges.

Contributions receivable are due according to the following schedule:

	<u>2014</u>	<u>2013</u>
Contributions receivable in less than one year	\$ 372,239	\$ 120,544
Contributions receivable in one to four years	<u>11,109</u>	<u>38,138</u>
Gross Contributions Receivable	383,348	158,682
Less: discount for present value	<u>(1,269)</u>	<u>(1,131)</u>
Net Contributions Receivable	382,079	157,551
Less: current portion	<u>(372,239)</u>	<u>(120,544)</u>
Net Contributions Receivable, Noncurrent Portion	<u>\$ 9,840</u>	<u>\$ 37,007</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, 2014 and 2013, totaled \$12,087 and \$11,200, respectively.

	<u>2014</u>		<u>2013</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>\$ 12,087</u>	<u>\$ 6,000</u>	<u>\$ 11,200</u>

National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter
Notes to Financial Statements (Continued)
September 30, 2014 and 2013

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

The Chapter reported net investment income of \$887 and \$1,171 for the years ended September 30, 2014 and 2013, respectively, as follows:

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 254	\$ 252
Realized gain	306	232
Unrealized gain	491	831
	<u>1,051</u>	<u>1,315</u>
Less: fees	<u>(164)</u>	<u>(144)</u>
Total	<u>\$ 887</u>	<u>\$ 1,171</u>

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.

National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter
Notes to Financial Statements (Continued)
September 30, 2014 and 2013

Note E - Fair Value Measurements (Continued)

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, 2014 and 2013.

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.

Interest in National Multiple Sclerosis Society's pooled investments: The Society's pooled investment portfolio was classified within the FASB fair value hierarchy as 100% Level 1. While principally all of the underlying trusts' investments are readily marketable, based on quoted fair market values, since the Chapter's interest in the pooled investments cannot be priced on an active exchange, the interests in the trust are classified as Level 3.

The following table provides the fair value hierarchy of the Chapter's financial assets as of September 30, 2014 and 2013:

September 30, 2014

	Fair Value	Level 1	Level 2	Level 3
Assets held by				
Community Foundation of Louisville	\$ 12,087	\$ -	\$ 12,087	\$ -
Interest in National Multiple Sclerosis Society's pooled Investment fund	227,653	-	-	227,653
	<u>\$ 239,740</u>	<u>\$ -</u>	<u>\$ 12,087</u>	<u>\$ 227,653</u>

September 30, 2013

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

Changes in the Chapter's Level 3 financial assets are as follows:

	<u>2014</u>
Fair value, beginning of year	\$ -
Contributions	227,685
Unrealized loss	<u>(32)</u>
Fair Value, End of Year	<u>\$ 227,653</u>

National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter
Notes to Financial Statements (Continued)
September 30, 2014 and 2013

Note F - Interest in Pooled Investment Fund

The Chapter's trusts hold shares in the overall portfolio of the National Multiple Sclerosis Society rather than the individual financial instruments and therefore have the same composition of investments as that of the Society's total trust fund portfolio. The Chapter's trust fund for the years ended September 30, 2014 and 2013 totaled \$227,653 and \$-0-, which represents 2% and -0-%, respectively, of the National Multiple Sclerosis Society's total trust fund investment portfolio.

Note G - Furniture, Fixtures and Equipment

Furniture, fixtures and equipment at September 30, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Furniture, fixtures and equipment	\$ 16,603	\$ 16,603
Less: accumulated depreciation	<u>(12,094)</u>	<u>(9,771)</u>
Furniture, Fixtures and Equipment, Net	<u>\$ 4,509</u>	<u>\$ 6,832</u>

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, 2014 and 2013, 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, 2014 and 2013 was \$6,878 and \$8, 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 I - Joint Costs

During the years ended September 30, 2014 and 2013, the Chapter incurred joint costs of \$375 and \$648, 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 \$328 and \$599 to fund-raising expense and \$47 and \$49 to public education for the years ended September 30, 2014 and 2013, respectively.

National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter
Notes to Financial Statements (Continued)
September 30, 2014 and 2013

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 lease has been renewed for the additional three years. Monthly lease payments will be \$1,975 effective January 1, 2015. The rental expense of Chapter office space was \$21,996 for both the years ended September 30, 2014 and 2013. Minimum rental payments are as follows for the years ended September 30:

2015	\$	23,274
2016		23,700
2017		23,700
2018		<u>5,925</u>
Total	\$	<u><u>76,599</u></u>

Note K - Concentration of Risk

Approximately 49% and 37% of the Chapter's revenue for the years ended September 30, 2014 and 2013, respectively, came from three major fundraising events. In addition, during the year ended September 30, 2014, the Chapter received a contribution from one organization which represented 21% of the Chapter's revenue.

Note L - 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, 2014, 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, 2010 under federal and state tax jurisdictions.

Note M - Debt Forgiveness

During the year ended September 30, 2013, the Chapter received forgiveness of debt from the home office in the amount of \$851,555. The Chapter has recorded a corresponding Debt Forgiveness revenue item in the accompanying Statement of Activities.