

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

Report on Audits of Financial Statements

**For the Years Ended
September 30, 2015 and 2014**

National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter

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September 30, 2015 and 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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, reading "Munger Chilton Madley LLP". The signature is written in a cursive, flowing style.

Jeffersonville, Indiana
December 16, 2015

National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter
Statements of Financial Position
September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 167,223	\$ 252,703
Contributions receivable	414,817	372,239
Due from National Multiple Sclerosis Society	4,142	3,617
Due from other chapters	-	206
Prepaid expenses and other assets	<u>16,668</u>	<u>7,588</u>
Total Current Assets	602,850	636,353
Noncurrent Assets		
Contributions receivable, net	1,393	9,840
Rent and security deposits	1,800	1,800
Assets held by Community Foundation of Louisville	11,927	12,087
Furniture, fixtures and equipment, net	4,029	4,509
Interest in National Multiple Sclerosis Society's pooled investments	<u>507</u>	<u>227,653</u>
Total Noncurrent Assets	<u>19,656</u>	<u>255,889</u>
Total Assets	<u>\$ 622,506</u>	<u>\$ 892,242</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	869	1,713
Accounts payable and accrued expenses	113,540	63,705
Deferred revenue	<u>14,900</u>	<u>16,750</u>
Total Current Liabilities	129,309	332,168
Net Assets		
Unrestricted	481,270	547,987
Temporarily restricted	5,927	6,087
Permanently restricted	<u>6,000</u>	<u>6,000</u>
Total Net Assets	<u>493,197</u>	<u>560,074</u>
Total Liabilities and Net Assets	<u>\$ 622,506</u>	<u>\$ 892,242</u>

See accompanying notes.

National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter
Statements of Activities
For the Years Ended September 30, 2015 and 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support								
Received Directly								
Special events (includes in-kind donations of \$107,518 in 2015 and \$88,597 in 2014)	\$ 1,107,482	\$ -	\$ -	\$ 1,107,482	\$ 1,022,050	\$ -	\$ -	\$ 1,022,050
Benefit to donor expenses	(264,245)	-	-	(264,245)	(223,242)	-	-	(223,242)
	843,237	-	-	843,237	798,808	-	-	798,808
Contributions (includes in-kind donations of \$15,211 in 2015 and \$18,264 in 2014)	389,092	-	-	389,092	370,217	-	-	370,217
Legacies	34,532	-	-	34,532	21,256	-	-	21,256
Total Revenue from the Public	1,266,861	-	-	1,266,861	1,190,281	-	-	1,190,281
Investment (loss) income, net	(10,207)	(160)	-	(10,367)	559	887	-	1,446
Service program fees	-	-	-	-	1,750	-	-	1,750
Miscellaneous income	97	-	-	97	129	-	-	129
Total Revenues	1,256,751	(160)	-	1,256,591	1,192,719	887	-	1,193,606
Expenses								
Program Services:								
Research	421,607	-	-	421,607	514,033	-	-	514,033
Society Activities	-	-	-	-	191,196	-	-	191,196
Client programs	175,216	-	-	175,216	134,225	-	-	134,225
Community programs	76,022	-	-	76,022	47,780	-	-	47,780
Professional education and training	45,777	-	-	45,777	37,896	-	-	37,896
Public education	161,572	-	-	161,572	70,192	-	-	70,192
Total Program Services	880,194	-	-	880,194	995,322	-	-	995,322
Supporting Services:								
Fund-raising	299,520	-	-	299,520	256,308	-	-	256,308
Management and general	143,754	-	-	143,754	105,430	-	-	105,430
Total Supporting Services	443,274	-	-	443,274	361,738	-	-	361,738
Total Expenses	1,323,468	-	-	1,323,468	1,357,060	-	-	1,357,060
Change in Net Assets	(66,717)	(160)	-	(66,877)	(164,341)	887	-	(163,454)
Net Assets at Beginning of Year	547,987	6,087	6,000	560,074	712,328	5,200	6,000	723,528
Net Assets at End of Year	\$ 481,270	\$ 5,927	\$ 6,000	\$ 493,197	\$ 547,987	\$ 6,087	\$ 6,000	\$ 560,074

See accompanying notes.

National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter
Statements of Cash Flows
For the Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (66,877)	\$ (163,454)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Bad debt expense	2,435	6,418
Depreciation	2,478	2,323
Loss on investments, net	10,207	32
Changes in operating assets and liabilities:		
Contributions receivable	(36,566)	(230,946)
Prepaid expenses and other assets	(9,080)	(2,309)
Due from National Multiple Sclerosis Society	(319)	4,070
Due to National Multiple Sclerosis Society	(250,844)	244,453
Accounts payable and accrued expenses	49,835	(32,314)
Deferred revenue	(1,850)	222
Net Cash Used by Operating Activities	<u>(300,581)</u>	<u>(171,505)</u>
Cash Flows from Investing Activities		
Purchase of investments	-	(227,685)
Proceeds from sale of investments	216,939	-
Purchases of furniture, fixtures, and equipment	<u>(1,998)</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	214,941	(227,685)
Cash Flows from Financing Activities		
Net change to restricted investments	<u>160</u>	<u>(887)</u>
Net Cash Provided (Used) by Financing Activities	<u>160</u>	<u>(887)</u>
Net Decrease in Cash	(85,480)	(400,077)
Cash and Cash Equivalents at Beginning of Year	<u>252,703</u>	<u>652,780</u>
Cash and Cash Equivalents at End of Year	<u>\$ 167,223</u>	<u>\$ 252,703</u>

See accompanying notes.

National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter
Statement of Functional Expenses
For the Year Ended September 30, 2015

	Program Services						Supporting Services		Total Programs & Support	Benefit To Donor Costs	Grand Total
	Research	Client Programs	Community Programs	Professional Education and Training	Public Education	Total	Fund-raising	Management and General			
Salaries	\$ -	\$ 41,284	\$ 33,937	\$ 22,391	\$ 46,882	\$ 144,494	\$ 122,104	\$ 83,268	\$ 349,866	\$ -	\$ 349,866
Employee benefits	-	4,419	3,633	2,397	5,018	15,467	13,070	8,913	37,450	-	37,450
Payroll taxes	-	3,980	3,272	2,159	4,519	13,930	11,771	8,027	33,728	-	33,728
Total Salaries and Related Expenses	-	49,683	40,842	26,947	56,419	173,891	146,945	100,208	421,044	-	421,044
Printing	-	1,738	531	351	6,704	9,324	14,937	1,304	25,565	-	25,565
Postage and shipping	-	732	449	296	674	2,151	3,754	1,102	7,007	-	7,007
Telephone	-	1,155	1,005	627	1,312	4,099	3,417	2,330	9,846	-	9,846
Supplies	-	1,309	735	469	983	3,496	2,787	1,746	8,029	21,746	29,775
Dues and memberships	-	530	554	201	420	1,705	1,234	746	3,685	-	3,685
Professional and other contract service fees	-	9,529	2,196	1,449	3,709	16,883	64,225	5,389	86,497	-	86,497
Donated advertising	-	-	-	-	-	-	13,000	-	13,000	-	13,000
Travel	-	2,837	4,807	375	812	8,831	9,449	1,393	19,673	105,179	124,852
Meetings	-	32,335	449	213	445	33,442	5,709	791	39,942	10,826	50,768
Occupancy	-	2,755	2,264	1,494	3,128	9,641	12,361	5,556	27,558	49,987	77,545
Furniture and equipment	-	364	299	197	413	1,273	1,075	733	3,081	-	3,081
Direct Financial Assistance	-	30,429	-	-	-	30,429	-	-	30,429	-	30,429
Awards and prizes	-	504	17	11	24	556	321	43	920	33,083	34,003
Miscellaneous expense	-	166	130	86	180	562	12,990	319	13,871	43,424	57,295
Depreciation	-	292	240	159	332	1,023	865	590	2,478	-	2,478
Restricted contributions to Society Research Initiatives	180,761	-	-	-	-	180,761	-	-	180,761	-	180,761
Total Expenses Before Chapter Support of Society Initiatives	180,761	134,358	54,518	32,875	75,555	478,067	293,069	122,250	893,386	264,245	1,157,631
Chapter Support of Society Initiatives	240,846	40,858	21,504	12,902	86,017	402,127	6,451	21,504	430,082	-	430,082
Total Expenses	\$ 421,607	\$ 175,216	\$ 76,022	\$ 45,777	\$ 161,572	\$ 880,194	\$ 299,520	\$ 143,754	\$ 1,323,468	\$ 264,245	\$ 1,587,713
Less Direct Benefit to Donor Costs											(264,245)
Total Expenses as Reported on the Statements of Activities											\$ 1,323,468

See accompanying notes.

National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter
Statement of Functional Expenses (Continued)
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 Initiatives	264,033	-	-	-	-	-	264,033	-	-	264,033	-	264,033
Total Expenses Before Chapter Support of Society Initiatives	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	\$ 514,033	\$ 191,196	\$ 134,225	\$ 47,780	\$ 37,896	\$ 70,192	\$ 995,322	\$ 256,308	\$ 105,430	\$ 1,357,060	\$ 223,242	\$ 1,580,302
Less Direct Benefit to Donor Costs												(223,242)
Total Expenses as Reported on the Statements of Activities												\$ 1,357,060

See accompanying notes.

National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter
Notes to Financial Statements
September 30, 2015 and 2014

Note A - Nature of Organization

The National Multiple Sclerosis Society ("the Society") is a not-for-profit voluntary health and welfare agency that mobilizes people and resources to drive research for a cure and to address the challenges of everyone affected by 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 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.

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

3. Cash and Cash Equivalents: The Chapter considers highly liquid investments with maturities of three months or less when purchased to be cash equivalents.
4. Contributions Receivable: Contributions receivable consist of accruals of public support received after year end that pertained to fundraising events held during the fiscal years ended September 30, 2015 and 2014 as well as multi-year pledges for a campaign to raise funds for research. Receivables are recorded at net realizable value, net of an allowance for uncollectible amounts. The Chapter believes that the pledges receivable are fully collectible. There are no identifiable concentrations of credit risk related to these receivables. Donated securities are liquidated upon receipt and recorded as contributions at their fair value.
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 Chapter's investments in equity and debt securities are stated at their quoted market prices, with the net change in unrealized gains or losses included in the statement of activities. See Notes D and E for additional information.
6. Furniture, Fixtures and Equipment: Furniture, fixtures and equipment are recorded at cost. Depreciation and amortization are provided on the straight-line basis over the estimated useful lives of the assets or the terms of the lease, as appropriate. 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, 2015 and 2014

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, including public services announcements and donated advertising, 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>2015</u>	<u>2014</u>
Donated goods	\$ 85,718	\$ 56,716
Donated services	<u>37,011</u>	<u>50,145</u>
Total	<u>\$ 122,729</u>	<u>\$ 106,861</u>

Donated advertising received in both fiscal year 2015 and 2014 totaled approximately \$13,000, and is reflected above as donated services 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 (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)
September 30, 2015 and 2014

Note B - Summary of Significant Accounting Policies (Continued)

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. 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 net assets 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.

10. Advertising: Advertising costs are expensed as incurred. Advertising expense was \$18,171 and \$15,443 for the years ended September 30, 2015 and 2014 respectively, consisting of \$13,000 and \$13,000 in donated services.
11. Chapter Support of Society Initiatives (National Programs Expense): The National Programs Expense (NPE) is an allocation to chapters that funds a large portion of the Society's budget in areas such as nationwide programs, services, centralized functions and the Society's research investments as well as investments in the Society's unified plan. The Society's budget is determined through an inclusive budget planning process. The Budget Development Advisory Committee provides consensus advice to the CEO and is comprised of members of the Senior Leadership Team, members of the National Board of Directors and regional volunteer liaisons responsible for communicating with volunteer leadership in each region.

Revenue tiers with progressively higher percentages are used to determine the NPE allocation amounts. The remittance percentage is subject to adjustment each year to ensure that the Society meets its programmatic goals and that all donor restrictions are honored. In fiscal year 2015 and 2014, the Chapter's NPE was calculated to be \$430,082 and \$455,229, respectively. These amounts are reflected as Chapter Support of Society Initiatives in the accompanying statement of functional expenses.

In addition to the fixed amount of National Programs Expense, the Chapter made an additional contribution to the national organization in the amount of \$180,761 and \$250,000 for the years ended September 30, 2015 and 2014, respectively. The contributions were earmarked for Research. This amount is reflected as a "Research" expense in the accompanying Statements of Activities.

12. Society Reserves Policy and Deployment of Excess Reserves: As required by the fiscal year 2014 implementation of the Society's Reserves Policy, the Chapter deployed \$180,761 of its excess reserves in fiscal year 2015 to fund initiatives that support the Society's Strategic Goals. The deployment of reserves contributed to the fiscal year 2015 negative change in net assets.

The Reserves Policy ensures financial stability and operating liquidity while optimizing the return on financial assets. The Society's Investment Committee provides oversight to the fund. The Society identifies expendable net assets in excess of 35% of its adjusted expenses as excess reserves available for deployment in support of Society initiatives.

National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter
Notes to Financial Statements (Continued)
September 30, 2015 and 2014

Note B - Summary of Significant Accounting Policies (Continued)

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 \$76,400 and \$9,600 of uninsured cash balances for the years ended September 30, 2015 and 2014, respectively.
14. Change in Estimate: During the twelve months ended September 30, 2015, the Society modified its approach for determining the estimated functional allocation of Chapter Support of Society Initiatives (also referred to as National Programs Expense), based on recent analysis of the current activities that the expense funds. As a result, the fiscal year 2015 amount of Chapter Support of Society Initiatives is allocated among all of the functional categories in the accompanying statement of functional expenses, including a 6.5% allocation to supporting services. In fiscal year 2014, the expense was allocated between the Research and Society Activities columns as 100% program services. The result of this change in estimate causes the fiscal year 2015 Society Activities expense to reflect \$0- compared to the fiscal year 2014 amount of \$191,196, as it is now allocated across the other Program Services and Supporting Services expense categories.
15. Subsequent Events: Subsequent events for the Chapter have been evaluated through the date of Independent Auditor's Report, which represents the date that the financial statements were available to be issued.

Note C - Contributions Receivable

Contributions receivable consist of accruals of public support for fundraising events held during the years ended September 30, 2015 and 2014. During the year ended September 30, 2015, the Chapter received notification that the criteria for a conditional promise to give had been met from an organization totaling \$250,000. This contribution is recorded in "Contributions receivable" on the Statements of Financial Position and "Contributions" on the Statements of Activities for the year ended December 31, 2015. During the year ended September 30, 2014, the Chapter received an unconditional promise to give from an organization totaling \$250,000. The contribution was 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 for the year ended September 30, 2014. 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, some of which are still outstanding as of September 30, 2015.

Contributions receivable are due according to the following schedule:

	2015	2014
Contributions receivable in less than one year	\$ 414,817	\$ 372,239
Contributions receivable in one to four years	1,500	11,109
Gross Contributions Receivable	416,317	383,348
Less: discount for present value	(107)	(1,269)
Net Contributions Receivable	416,210	382,079
Less: current portion	(414,817)	(372,239)
Net Contributions Receivable, Noncurrent Portion	\$ 1,393	\$ 9,840

Contributions receivable in future years have been discounted at 2.5%

National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter
Notes to Financial Statements (Continued)
September 30, 2015 and 2014

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, 2015 and 2014, totaled \$11,927 and \$12,087, respectively.

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Assets held by Community Foundation of Louisville	<u>\$ 6,000</u>	<u>\$ 11,927</u>	<u>\$ 6,000</u>	<u>\$ 12,087</u>

The Chapter reported net investment loss/income of \$(160) and \$887 for the years ended September 30, 2015 and 2014, respectively, as follows:

	2015	2014
Interest and dividends	\$ 291	\$ 254
Realized gain	404	306
Unrealized (loss) gain	<u>(855)</u>	<u>491</u>
	(160)	1,051
Less: fees	<u>-</u>	<u>(164)</u>
Total	<u>\$ (160)</u>	<u>\$ 887</u>

Note E - Fair Value Measurements

The Chapter adopted the provisions of ASC Section 820-10 (formerly known as FASB Statement of Financial Accounting Standards No. 157), *Fair Value Measurements ("FAQS 157") effective October 1, 2008*. Accounting standards for fair value measurements (ASC820-10) establishes a fair value hierarchy for the inputs used to measure fair value based on the nature of the data input, which generally range from quoted prices for identical instruments in a principal trading market (Level 1) to estimates determined using related market data (Level 3). Multiple inputs may be used to measure fair value; however, the level of fair value of each financial asset or liability presented below is based on the lower significant input level within this fair value hierarchy.

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.

National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter
Notes to Financial Statements (Continued)
September 30, 2015 and 2014

Note E - Fair Value Measurements (Continued)

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, 2015 and 2014.

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.

National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter
Notes to Financial Statements (Continued)
September 30, 2015 and 2014

Note E - Fair Value Measurements (Continued)

The following table provides the fair value hierarchy of the Chapter's financial assets as of September 30, 2015 and 2014:

September 30, 2015

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents*	\$ 145,195	\$ 145,195	\$ -	\$ -
Assets held by				
Community Foundation of Louisville	11,927	-	11,927	-
Interest in National Multiple Sclerosis Society's pooled Investment fund	507	-	-	507
	<u>\$ 157,629</u>	<u>\$ 145,195</u>	<u>\$ 11,927</u>	<u>\$ 507</u>

September 30, 2014

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents*	\$ 229,678	\$ 229,678	\$ -	\$ -
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>\$ 469,418</u>	<u>\$ 229,678</u>	<u>\$ 12,087</u>	<u>\$ 227,653</u>

*Represents cash and cash equivalents that are interest-bearing and are included in cash and cash equivalents in the accompanying statements of financial position.

The table below sets forth a summary of the changes in the fair value of the Chapter's Level 3 financial assets for the years ended September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Fair value, beginning of year	\$ 227,653	\$ -
Purchases	-	227,685
Sales	(216,939)	-
Unrealized loss	(10,207)	(32)
Fair Value, End of Year	<u>\$ 507</u>	<u>\$ 227,653</u>

National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter
Notes to Financial Statements (Continued)
September 30, 2015 and 2014

Note F - Interest in Pooled Investment Fund

The Chapter holds a share of the overall portfolio of the Society's pooled investment fund rather than in the individual financial instruments and therefore has the same composition of investments as that of the Society's total pooled investment fund. The Chapter's trust fund for the years ended September 30, 2015 and 2014 totaled \$507 and \$227,653, which represents -0-% and 2%, respectively, of the National Multiple Sclerosis Society's total trust fund investment portfolio.

Investment net (loss) income totaled \$(10,207) and \$559 for the years ended September 30, 2015 and 2014, respectively, which included interest and dividends of \$6,735 and \$1,241, net realized/unrealized losses of \$(16,942) and \$(534), respectively, and administration fees of \$-0- and \$148, respectively.

Note G - Furniture, Fixtures and Equipment

Furniture, fixtures and equipment at September 30, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Furniture, fixtures and equipment	\$ 18,601	\$ 16,603
Less: accumulated depreciation	<u>(14,572)</u>	<u>(12,094)</u>
Furniture, Fixtures and Equipment, Net	<u>\$ 4,029</u>	<u>\$ 4,509</u>

Note H - Pension Plan

The Chapter participates in the Society's noncontributory Defined Contribution Retirement Plan, which covers substantially all of the Chapter's employees, based on defined eligibility for covered employees. Temporary employees and independent contractors are not eligible. Employees become eligible on the first day of the 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, 2015 and 2014, 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, 2015 and 2014 was \$5,536 and \$6,878, 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, 2015 and 2014, the Chapter incurred joint costs of \$-0- and \$375, respectively, for informational materials and activities that included fund-raising appeals. Such costs were allocated in accordance with the requirements of ASC Section 958-720 (formerly the American Institute of Certified Public Accountants' Statement of Position 92) 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 \$-0- and \$328 to fund-raising expense and \$-0- and \$47 to public education for the years ended September 30, 2015 and 2014, respectively.

National Multiple Sclerosis Society, Kentucky-Southeast Indiana Chapter
Notes to Financial Statements (Continued)
September 30, 2015 and 2014

Note J - Commitments and Contingencies

Operating Leases

The Chapter leases its administrative offices. The original lease expired December 31, 2014. Under the original agreement, monthly lease payments were \$1,833. The lease was renewed for an additional three years. Monthly lease payments are \$1,975 effective January 1, 2015. The rental expense of Chapter office space was \$23,274 and \$21,996 for the years ended September 30, 2015 and 2014, respectively.

The Chapter leases its copier. The lease expires in August 2018. Under the agreement, monthly base lease payments are approximately \$307 with an additional predetermined per image charge. The copy expense of the Chapter was \$1,987 and \$1,848 for the years ended September 30, 2015 and 2014, respectively.

Minimum rental payments are as follows for the years ended September 30:

2016	\$	27,378
2017		27,378
2018		<u>9,297</u>
Total	\$	<u>64,053</u>

Note K - Concentration of Risk

Approximately 51% and 49% of the Chapter's revenue for the years ended September 30, 2015 and 2014, respectively, came from three major fundraising events. In addition, during the years ended September 30, 2015 and 2014, the Chapter received a contribution from one organization which represented 20% and 21% of the Chapter's revenue, respectively.

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, 2015, 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, 2011 under federal and state tax jurisdictions.