

**THE NATIONAL MULTIPLE SCLEROSIS SOCIETY
GREATER DC - MARYLAND CHAPTER**

**Financial Statements
and
Independent Auditors' Report
September 30, 2016**

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**THE NATIONAL MULTIPLE SCLEROSIS SOCIETY
GREATER DC - MARYLAND CHAPTER**

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
The National Multiple Sclerosis Society Greater DC - Maryland Chapter
Washington, D.C.

We have audited the accompanying financial statements of The National Multiple Sclerosis Society Greater DC - Maryland Chapter (the "Chapter"), which are comprised of the statement of financial position as of September 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 auditors consider 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.

To the Board of Trustees
The National Multiple Sclerosis Society Greater DC - Maryland Chapter
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OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The National Multiple Sclerosis Society Greater DC - Maryland Chapter as of September 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTER REGARDING SOCIETY REALIGNMENT

As discussed in Note 11 to the financial statements, effective October 1, 2016, the Chapter combined with The National Multiple Sclerosis Society. Our opinion is not modified with respect to that matter.

EKS&H LLLP
EKS&H LLLP

December 8, 2016
Denver, Colorado

**THE NATIONAL MULTIPLE SCLEROSIS SOCIETY
GREATER DC - MARYLAND CHAPTER**

**Statement of Financial Position
September 30, 2016**

Assets

Current assets	
Cash and cash equivalents	\$ 1,034,310
Contributions receivable	225,650
Due from other chapters	168,506
Prepaid expenses and other assets	<u>58,741</u>
Total current assets	<u>1,487,207</u>
Non-current assets	
Contributions receivable	115,602
Security deposits	6,114
Property and equipment, net	48,714
Due from home office - charitable gift annuities	<u>108,232</u>
Total non-current assets	<u>278,662</u>
Total assets	<u>\$ 1,765,869</u>

Liabilities and Net Assets

Current liabilities	
Due to home office	\$ 1,500,000
Due to other chapters	3,559
Accounts payable and accrued expenses	281,416
Deferred revenue	11,625
Deferred rent liability	<u>35,737</u>
Total current liabilities	<u>1,832,337</u>
Long-term liabilities	
Deferred rent liability	<u>263,473</u>
Total long-term liabilities	<u>263,473</u>
Total liabilities	<u>2,095,810</u>
Commitments and contingencies	
Net assets	
Unrestricted	(825,062)
Temporarily restricted	<u>495,121</u>
Total net assets	<u>(329,941)</u>
Total liabilities and net assets	<u>\$ 1,765,869</u>

See notes to financial statements.

**THE NATIONAL MULTIPLE SCLEROSIS SOCIETY
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**Statement of Activities
September 30, 2016**

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Public support			
Special events (includes in-kind donations of \$150,849)	\$ 4,212,611	\$ -	\$ 4,212,611
Less benefit-to-donor costs	<u>(818,397)</u>	<u>-</u>	<u>(818,397)</u>
	3,394,214	-	3,394,214
Contributions	1,102,011	194,221	1,296,232
Legacies	<u>178,852</u>	<u>-</u>	<u>178,852</u>
Total public support	<u>4,675,077</u>	<u>194,221</u>	<u>4,869,298</u>
Other revenue			
Investment income	172	-	172
Service program fees	24,318	-	24,318
Subsidies	<u>300,000</u>	<u>-</u>	<u>300,000</u>
Total other revenue	<u>324,490</u>	<u>-</u>	<u>324,490</u>
Net assets released from restrictions	<u>67,306</u>	<u>(67,306)</u>	<u>-</u>
Total support and revenue	<u>5,066,873</u>	<u>126,915</u>	<u>5,193,788</u>
Expenses			
Program services			
Research	1,652,150	-	1,652,150
Client programs	1,092,902	-	1,092,902
Community programs	656,829	-	656,829
Professional education and training	187,585	-	187,585
Public education	<u>997,532</u>	<u>-</u>	<u>997,532</u>
Total program services	<u>4,586,998</u>	<u>-</u>	<u>4,586,998</u>
Supporting services			
Fundraising	1,258,858	-	1,258,858
Management and general	<u>571,989</u>	<u>-</u>	<u>571,989</u>
Total supporting services	<u>1,830,847</u>	<u>-</u>	<u>1,830,847</u>
Total expenses	<u>6,417,845</u>	<u>-</u>	<u>6,417,845</u>
Change in net assets before realignment	(1,350,972)	126,915	(1,224,057)
Inherent contribution from realignment (Note 10)	<u>786,805</u>	<u>44,405</u>	<u>831,210</u>
Change in net assets	(564,167)	171,320	(392,847)
Net assets at beginning of year	<u>(260,895)</u>	<u>323,801</u>	<u>62,906</u>
Net assets at end of year	<u>\$ (825,062)</u>	<u>\$ 495,121</u>	<u>\$ (329,941)</u>

See notes to financial statements.

**THE NATIONAL MULTIPLE SCLEROSIS SOCIETY
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**Statement of Functional Expenses
For the Year Ended September 30, 2016**

	Program Services					Supporting Services		Total Programs and Support	Benefit-to- Donor Costs	Grand Total	
	Research	Client Programs	Community Programs	Professional Education and Training	Public Education	Total	Fundraising				Management and General
Salaries and related expenses											
Salaries	\$ -	\$ 328,982	\$ 272,283	\$ 42,124	\$ 269,560	\$ 912,949	\$ 441,578	\$ 247,137	\$ 1,601,664	\$ -	\$ 1,601,664
Employee benefits	-	43,130	35,696	5,522	35,339	119,687	57,891	32,400	209,978	-	209,978
Payroll taxes	-	25,492	21,098	3,264	20,887	70,741	34,216	19,150	124,107	-	124,107
Total salaries and related expenses	-	397,604	329,077	50,910	325,786	1,103,377	533,685	298,687	1,935,749	-	1,935,749
Expenses											
Printing	-	2,962	1,441	581	27,233	32,217	33,935	1,269	67,421	-	67,421
Postage and shipping	-	2,931	1,045	125	3,150	7,251	12,182	763	20,196	-	20,196
Telephone	-	232	192	30	190	644	592	174	1,410	-	1,410
Supplies	-	3,706	1,110	144	920	5,880	2,960	844	9,684	71,087	80,771
Dues and memberships	-	19	1,119	2	16	1,156	1,246	14	2,416	-	2,416
Professional and other contract service fees	-	30,933	37,298	3,015	19,296	90,542	281,266	17,691	389,499	-	389,499
Donated public service announcements and advertising	-	-	-	-	-	-	33,935	-	33,935	-	33,935
Travel	-	10,572	8,993	472	1,625	21,662	25,188	1,489	48,339	450,923	499,262
Meetings	-	65,864	2,320	12,627	573	81,384	6,178	525	88,087	20,764	108,851
Occupancy	-	81,594	67,533	10,448	66,857	226,432	109,521	61,295	397,248	153,686	550,934
Furniture and equipment	-	7,244	5,995	927	5,935	20,101	9,723	5,442	35,266	-	35,266
Direct financial assistance	-	145,080	-	-	-	145,080	-	-	145,080	-	145,080
Awards and prizes	-	161	133	20	132	446	5,104	121	5,671	88,965	94,636
Miscellaneous expense	-	26,380	18,509	2,863	18,324	66,076	140,289	16,800	223,165	32,972	256,137
Depreciation and amortization	-	2,210	1,829	284	1,811	6,134	2,967	1,660	10,761	-	10,761
Total expenses before Chapter support of Society initiatives	-	777,492	476,594	82,448	471,848	1,808,382	1,198,771	406,774	3,413,927	818,397	4,232,324
Chapter support of Society initiatives	1,652,150	315,410	180,235	105,137	525,684	2,778,616	60,087	165,215	3,003,918	-	3,003,918
Total expenses	<u>\$ 1,652,150</u>	<u>\$ 1,092,902</u>	<u>\$ 656,829</u>	<u>\$ 187,585</u>	<u>\$ 997,532</u>	<u>\$ 4,586,998</u>	<u>\$ 1,258,858</u>	<u>\$ 571,989</u>	<u>\$ 6,417,845</u>	<u>\$ 818,397</u>	7,236,242
Less direct benefit-to-donor costs											<u>(818,397)</u>
Total expenses as reported on the statements of activities											<u>\$ 6,417,845</u>

See notes to financial statements.

**THE NATIONAL MULTIPLE SCLEROSIS SOCIETY
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**Statement of Cash Flows
For the Year Ended September 30, 2016**

Cash flows from operating activities	
Change in net assets	\$ (392,847)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Contribution from realignment	(831,210)
Depreciation and amortization	10,761
Bad debt expense	100,100
Due from home office - charitable gift annuities	5,737
Changes in operating assets and liabilities	
Contributions receivable	6,480
Due from other chapters	(117,383)
Prepaid expenses and other assets	140,815
Due to home office	1,336,881
Due to other chapters	(44,758)
Accounts payable and accrued expenses	26,342
Deferred rent	(28,464)
Deferred revenue	<u>(308,397)</u>
Net cash used in operating activities	<u>(95,943)</u>
Cash flows from investing activities	
Purchases of property and equipment	(4,150)
Cash received from realignment	<u>953,723</u>
Net cash provided by investing activities	<u>949,573</u>
Net increase in cash and cash equivalents	853,630
Cash and cash equivalents at beginning of year	<u>180,680</u>
Cash and cash equivalents at end of year	<u>\$ 1,034,310</u>

Supplemental cash flow disclosure:

The Maryland Chapter combined with the National Capital Chapter during 2016. Note 10 discloses the assets and liabilities assumed and the contribution received in the acquisition.

See notes to financial statements.

**THE NATIONAL MULTIPLE SCLEROSIS SOCIETY
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Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

The National Multiple Sclerosis Society (the "Society") is a not-for-profit voluntary health and welfare agency that mobilizes people and resources so that everyone affected by multiple sclerosis ("MS") can live their best lives as we stop MS in its tracks, restore what has been lost, and end MS forever. The Greater DC - Maryland Chapter (the "Chapter") raises funds in the state of Maryland and the District of Columbia. The Society has offices across the country and is governed by a national board of directors and local boards of trustees. The Society's mission is fulfilled through funding cutting-edge research, driving change through advocacy, facilitating professional education, collaborating with MS organizations around the world, and providing services designed to help people with MS and their families move their lives forward.

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

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the amounts of revenues and expenses during the reporting period. The most significant of which include the fair values assigned to certain financial instruments; collectibility of contributions receivable; donated public service announcements; and, the useful lives assigned to property and equipment. Actual results could differ from those estimates.

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 purpose as follows:

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

Temporarily Restricted Net Assets: Temporarily restricted net assets comprise funds that 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.

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Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Net Asset Classifications (continued)

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 needed.

Cash and Cash Equivalents

The Chapter considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Concentrations of Credit Risk

Deposits at the Chapter's financial institutions are insured by the FDIC up to \$250,000. The Chapter has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and investments.

Investments

The Chapter's investments in equity and debt securities are stated at their quoted market prices, and the net change in unrealized gains or losses is included on the statement of activities.

Contributions and Other Receivables

Contributions and other receivables consist of accruals of public support received after year-end that pertained to fundraising events held during fiscal year 2016. Receivables are recorded at net realizable value, net of an allowance for uncollectible amounts. The Chapter believes that the pledges receivable are fully collectible. Donated securities are liquidated upon receipt and recorded as contributions at their fair value.

At September 30, 2016, 48% of the Chapter's contributions receivable were from three donors. There were no identifiable concentrations of credit risk related to these receivables at September 30, 2015.

Property and Equipment

Property 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 NATIONAL MULTIPLE SCLEROSIS SOCIETY
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Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Long-Lived Assets

The Chapter periodically evaluates the carrying value of long-lived assets for possible impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized during the year ended September 30, 2016.

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 is measured based on the present value of future cash flows with consideration of expectations 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. Unconditional bequests (donations received under terms of a will) are reported as revenues when notification of the bequest is received, the amount is reasonably determinable, and the probate court declares the will valid.

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 on 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.

Donated Goods and Services

Donated goods and services, including public service 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.

Donated services	\$ 116,914
Donated goods	<u>33,935</u>
Total	<u>\$ 150,849</u>

Public service announcements and donated advertising received in fiscal year 2016 totaled approximately \$33,935 and is reflected as donated goods and fundraising expenses on the accompanying statement of activities.

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Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Donated Goods and Services (continued)

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 in accordance with U.S. GAAP.

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 comprises 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. For the year ended September 30, 2016, the Chapter's NPE was calculated to be \$3,003,918. This amount is reflected as Chapter support of Society initiatives on the accompanying statement of functional expenses. As the Society implements a single audit in fiscal year 2017 (Note 11), NPE will no longer be calculated after September 30, 2016.

Multi-year contributions recognized prior to fiscal year 2016 that are restricted for research and other national initiatives are remitted to the home office when received and reflected as expense when the income is recorded at its present value and amortized over the respective periods.

Subsidy Received from The National Multiple Sclerosis Society

During the year ended September 30, 2016, the Chapter was granted a subsidy of \$300,000 from the Society to support operations.

Expense Allocations

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

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$111,145 in fiscal year 2016, consisting of \$33,935 in donated advertising and public service announcements.

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Notes to Financial Statements

Note 2 - Income Taxes

Guidance in the area of "Accounting for Uncertainty in Income Taxes" under the Financial Accounting Standards Board (the "FASB") Accounting Standards Codification ("ASC") clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This standard provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is "more likely than not" to be sustained if the position were to be challenged by a taxing authority. The standard also provides guidance on measurement, classification, interest and penalties, and disclosure. The Chapter has processes presently in place to ensure the maintenance of its tax-exempt status, to identify and report unrelated income, to determine its filing and tax obligations in jurisdictions for which it has nexus, and to identify and evaluate other matters that may be considered tax positions.

Note 3 - Contributions Receivable

Contributions receivable are as follows:

Due in less than one year	\$ 225,650
Due in one to five years	<u>120,000</u>
	345,650
Less present value discount	<u>(4,398)</u>
	<u>\$ 341,252</u>

For contributions receivable expected to be collected in periods greater than one year, the Chapter applied a discount of 4% on balances receivable as of September 30, 2016.

Note 4 - Fair Value Measurement

The Chapter adopted the provisions of ASC Topic 820-10. ASC Topic 820-10 (formerly known as FASB Statement of Financial Accounting Standards No. 157), *Fair Value Measurement ("FAS 157")*, effective October 1, 2008. FAS 157 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.

- Level 1: 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.

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Notes to Financial Statements

Note 4 - Fair Value Measurement (continued)

Level 2: 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 other factors.

Level 3: 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.

The following table provides the fair value hierarchy of the Chapter's financial assets as of September 30, 2016

	Level 1	Level 2	Level 3	Total
Charitable gift annuities	\$ -	\$ -	\$ 108,232	\$ 108,232

The following is a description of the valuation methodology used for assets measured at fair value:

Charitable gift annuities: Valued using the present value of expected cash flows, which are unobservable inputs.

The table below sets forth a summary of the changes in the fair value of the Chapter's Level 3 financial assets:

Fair value at beginning of year	\$ 77,811
Additions and withdrawals	36,158
Realized and unrealized loss	(5,737)
Fair value at end of year	\$ 108,232

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Notes to Financial Statements

Note 5 - Property and Equipment

Property and equipment consist of the following:

Furniture, fixtures, and equipment	\$	319,044
Artwork		27,275
Leasehold improvements		<u>12,929</u>
		359,248
Less accumulated depreciation		<u>(310,534)</u>
	<u>\$</u>	<u>48,714</u>

Note 6 - Charitable Gift Annuities

The Chapter is the beneficiary of a number of charitable gift annuities or split-interest agreements with donors, whereby the Society's home office controls and invests the donated assets and shares with the donor or the donor's designee income generated from these assets until such time as stated in the agreement (usually upon the death of the donor or the donor's designee).

The year-end value of the Chapter's split-interest agreements for 2016 was \$108,232. Loss derived from changes in value of the agreements for the year ended September 30, 2016 was \$5,737.

Note 7 - Commitments and Contingencies

Operating Lease

The Chapter generally recognizes rent expense based on straight lining of the minimum lease payments over the respective terms of the leases and has recorded a deferred rent liability of approximately \$299,000 at September 30, 2016.

Office rent expense for the year ended September 30, 2016 was \$392,493.

The future minimum annual rental commitments under non-cancelable lease agreements at September 30, 2016 are as follows:

<u>Year Ending September 30,</u>	<u>DC</u>	<u>Maryland</u>	<u>Total</u>
2017	\$ 282,881	\$ 54,209	\$ 337,090
2018	291,880	-	291,880
2019	300,557	-	300,557
2020	309,483	-	309,483
2021	318,698	-	318,698
Thereafter	<u>134,410</u>	<u>-</u>	<u>134,410</u>
Total	<u>\$ 1,637,909</u>	<u>\$ 54,209</u>	<u>\$ 1,692,118</u>

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Notes to Financial Statements

Note 8 - Retirement Plan

Effective January 1, 2016, the Chapter participates in the Society's 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. Upon the first day of employment, covered employees receive a 100% matching employer contribution for the first 3% of eligible compensation contributed and then 50% on the next 2% of eligible compensation contributed for a maximum of a 4% employer contribution. All employer contributions are 100% vested for participants who complete at least one hour of service on or after January 1, 2016. All employees who have terminated employment prior to January 1, 2016 are subject to a five-year vesting schedule. Retirement expenses related to the plan are incurred by the Society rather than the Chapter.

Prior to January 1, 2016, the Chapter participated in the Society's non-contributory Defined Contribution Retirement Plan, which covered substantially all of the Chapter's employees, based on defined eligibility for covered employees. Temporary employees and independent contractors were not eligible. Employees became eligible on the first day of the first month after beginning employment, and all covered employees received an annual contribution (after September 30) if they worked 1,000 hours during the fiscal year and were employed on the last day of the fiscal year. The contribution rate for the three months ended December 31, 2015 and fiscal year 2015, as determined by the Society's President and CEO, was 3% of gross annual salary. Chapter contributions to employees were vested over five years. In accordance with the plan's provisions, contributions required in any given year were first offset by forfeitures of unvested Chapter contributions for terminated participants.

The Chapter's retirement expense for fiscal year 2016 was incurred by the Society rather than the Chapter.

Note 9 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for specific client programs. Their use is limited by donor-imposed stipulations that either expire with the passage of time or the fulfillment of specific obligations.

Temporarily restricted net assets comprise the following as of September 30, 2016:

Program	
Research	\$ 185,602
Family care and respite programs	170,000
Charitable gift annuities	108,232
Other Chapter programs	<u>31,287</u>
	<u>\$ 495,121</u>

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Notes to Financial Statements

Note 9 - Temporarily Restricted Net Assets (continued)

Temporarily restricted net assets were released from restrictions as follows as of September 30, 2016:

Program	
Family care and respite programs	\$ 34,000
Charitable gift annuities	5,737
Other Chapter programs	<u>27,569</u>
Total	<u>\$ 67,306</u>

Note 10 - Chapter Realignment

On October 1, 2015, the Maryland Chapter realigned with the National Capital Chapter ("DC") and changed its name to the Greater DC - Maryland Chapter. The realignment was conducted in part to unify the organizations and to more effectively use resources. The transaction has been treated as an acquisition for accounting purposes. No consideration was exchanged in the combination.

The assets and liabilities of DC were recorded at fair value as of the date of the realignment, which were estimated to approximate book value as recorded on the Chapter's books.

Recognized amounts of identifiable assets and liabilities assumed by the Chapter on October 1, 2015:

Cash and cash equivalents	\$ 953,723
Contributions receivable	\$ 403,673
Prepaid expenses and other assets	\$ 47,372
Contributions receivable from home office	\$ 540
Due from other chapters	\$ 31,160
Property and equipment	\$ 46,553
Due from home office	\$ 36,158
Accounts payable and accrued expenses	\$ (161,613)
Due to home office	\$ (160,853)
Deferred revenue	\$ (39,522)
Deferred lease benefit	\$ (325,981)
Inherent contribution received	\$ 831,210

The excess fair value of assets received over liabilities assumed is reported as a contribution received in the acquisition of DC on the statement of activities and changes in net assets of the realigned Chapter in fiscal year 2016.

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Notes to Financial Statements

Note 11 - Society Realignment

As the Society continues to become unified, the organization is transitioning to a single Society entity, which will perform one audit and file a single IRS Form 990 under one federal employer's identification number effective October 1, 2016. The transition will better align Society resources so the organization can maximize its impact. For accounting purposes, the transition will be treated as an acquisition of 100% of the assets and liabilities of the Chapter by the Society. No consideration was given in exchange for the interests.

Recognized amounts of identifiable assets and liabilities assumed by the Society on October 1, 2016:

Cash and cash equivalents	\$ 1,034,310
Contributions receivable	\$ 341,252
Due from other chapters	\$ 168,506
Prepaid expenses	\$ 58,741
Property and equipment, net	\$ 48,714
Charitable gift annuity	\$ 108,232
Security deposits	\$ 6,114
Due to home office	\$ (1,500,000)
Due to other chapters	\$ (3,559)
Accounts payable and accrued expenses	\$ (281,416)
Deferred revenue	\$ (11,625)
Deferred rent	\$ (299,210)
Excess of liabilities assumed over the fair value of assets received	\$ (329,941)

The excess liability assumed over fair value of assets received is reported in contributions in the acquisition of the Chapter on the statement of activities and changes in net assets of the realigned Society entity in fiscal year 2017.

Note 12 - Subsequent Events

The Chapter has evaluated subsequent events through the auditors' report date, which is the date the financial statements were available for issuance. There were no subsequent events that are required to be recognized or disclosed in the accompanying financial statements other than that described in Note 11.