

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER**

FINANCIAL STATEMENTS

YEARS ENDED
SEPTEMBER 30, 2011 AND 2010

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER**

FINANCIAL STATEMENTS

**YEARS ENDED
SEPTEMBER 30, 2011 AND 2010**

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
National Multiple Sclerosis Society,
Northern California Chapter

We have audited the accompanying statements of financial position of National Multiple Sclerosis Society, Northern California Chapter (the Chapter) as of September 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the management of the Chapter. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chapter as of September 30, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Green Hasson & Janks LLP

November 29, 2011
Los Angeles, California

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER**

STATEMENTS OF FINANCIAL POSITION
September 30, 2011 and 2010

ASSETS	<u>2011</u>	<u>2010</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 1,814,537	\$ 2,009,749
Contributions and Pledges Receivable	720,096	196,253
Prepaid Expenses and Other Assets	95,865	96,265
Contribution Receivable from National	8,196	-
<i>TOTAL CURRENT ASSETS</i>	<u>2,638,694</u>	<u>2,302,267</u>
NONCURRENT ASSETS:		
Contributions and Pledges Receivable	43,739	55,000
Property and Equipment (Net)	77,025	91,092
Due from National Multiple Sclerosis Society	30,119	40,199
<i>TOTAL NONCURRENT ASSETS</i>	<u>150,883</u>	<u>186,291</u>
<i>TOTAL ASSETS</i>	<u>\$ 2,789,577</u>	<u>\$ 2,488,558</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Due to National Multiple Sclerosis Society:		
Remittance Due to National	\$ 255,724	\$ 1,146,980
Other Payables to National	15,396	16,753
Due to Other Chapters	-	5,773
Accounts Payable and Accrued Expenses	389,046	390,396
<i>TOTAL CURRENT LIABILITIES</i>	<u>660,166</u>	<u>1,559,902</u>
NET ASSETS:		
Unrestricted	2,065,837	858,213
Temporarily Restricted	63,574	70,443
<i>TOTAL NET ASSETS</i>	<u>2,129,411</u>	<u>928,656</u>
<i>TOTAL LIABILITIES AND NET ASSETS</i>	<u>\$ 2,789,577</u>	<u>\$ 2,488,558</u>

The Accompanying Notes are an Integral Part of These Financial Statements

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER**

STATEMENTS OF ACTIVITIES
Years Ended September 30, 2011 and 2010

	2011			2010				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support:								
Received Directly:								
Special Events (includes In-Kind Donations of \$43,475 in 2011 and \$56,125 in 2010)	\$ 3,474,058	\$ -	\$ -	\$ 3,474,058	\$ 3,269,220	\$ -	\$ -	\$ 3,269,220
Less: Benefit to Donor Costs	(426,756)	-	-	(426,756)	(400,238)	-	-	(400,238)
	<u>3,047,302</u>	<u>-</u>	<u>-</u>	<u>3,047,302</u>	<u>2,868,982</u>	<u>-</u>	<u>-</u>	<u>2,868,982</u>
Membership and Contributions	524,541	15,000	-	539,541	591,375	5,443	-	596,818
Legacies	1,635,986	-	-	1,635,986	464,493	480,797	-	945,290
Received at National (Other than Legacies)	157,931	-	-	157,931	164,206	-	-	164,206
Total Received Directly	<u>5,365,760</u>	<u>15,000</u>	<u>-</u>	<u>5,380,760</u>	<u>4,089,056</u>	<u>486,240</u>	<u>-</u>	<u>4,575,296</u>
Received Indirectly:								
Combined Federal Service Campaign	2,934	-	-	2,934	3,199	-	-	3,199
Federated Fund Raising Organizations	17,641	-	-	17,641	22,326	-	-	22,326
Total Received Indirectly	<u>20,575</u>	<u>-</u>	<u>-</u>	<u>20,575</u>	<u>25,525</u>	<u>-</u>	<u>-</u>	<u>25,525</u>
Total Public Support	<u>5,386,335</u>	<u>15,000</u>	<u>-</u>	<u>5,401,335</u>	<u>4,114,581</u>	<u>486,240</u>	<u>-</u>	<u>4,600,821</u>
Other Revenue:								
Investment Income	83	-	-	83	93	-	-	93
Service Program Fees	7,235	-	-	7,235	4,595	-	-	4,595
Miscellaneous Income (Includes Subsidy from Other Chapters)	116,099	-	-	116,099	86,576	-	-	86,576
Total Other Revenue	<u>123,417</u>	<u>-</u>	<u>-</u>	<u>123,417</u>	<u>91,264</u>	<u>-</u>	<u>-</u>	<u>91,264</u>
Net Assets Released from Program Restrictions	21,869	(21,869)	-	-	821,362	(821,362)	-	-
Total Revenue	<u>5,531,621</u>	<u>(6,869)</u>	<u>-</u>	<u>5,524,752</u>	<u>5,027,207</u>	<u>(335,122)</u>	<u>-</u>	<u>4,692,085</u>
Expenses:								
Program Services:								
Research	728,470	-	-	728,470	781,198	-	-	781,198
Public Support to National	648,388	-	-	648,388	692,106	-	-	692,106
Client Programs	949,962	-	-	949,962	908,299	-	-	908,299
Community Programs	542,901	-	-	542,901	541,880	-	-	541,880
Professional Education and Training	174,590	-	-	174,590	129,172	-	-	129,172
Public Education	464,566	-	-	464,566	472,843	-	-	472,843
Total Program Services	<u>3,508,877</u>	<u>-</u>	<u>-</u>	<u>3,508,877</u>	<u>3,525,498</u>	<u>-</u>	<u>-</u>	<u>3,525,498</u>
Supporting Services:								
Fundraising	657,213	-	-	657,213	703,975	-	-	703,975
Management and General	157,907	-	-	157,907	177,937	-	-	177,937
Total Supporting Services:	<u>815,120</u>	<u>-</u>	<u>-</u>	<u>815,120</u>	<u>881,912</u>	<u>-</u>	<u>-</u>	<u>881,912</u>
Total Expenses	<u>4,323,997</u>	<u>-</u>	<u>-</u>	<u>4,323,997</u>	<u>4,407,410</u>	<u>-</u>	<u>-</u>	<u>4,407,410</u>
Changes in Net Assets	1,207,624	(6,869)	-	1,200,755	619,797	(335,122)	-	284,675
Net Assets - Beginning of Year	858,213	70,443	-	928,656	238,416	405,565	-	643,981
Net Assets - End of the Year	<u>\$ 2,065,837</u>	<u>\$ 63,574</u>	<u>\$ -</u>	<u>\$ 2,129,411</u>	<u>\$ 858,213</u>	<u>\$ 70,443</u>	<u>\$ -</u>	<u>\$ 928,656</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER**

STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended September 30, 2011

	Program Services						Total Program Services	Supporting Services		Total Supporting Services	Benefit to Donor Costs	Total Expenses
	Research	National Activities	Client Programs	Community Programs	Professional Education and Training	Public Education		Fundraising	Management and General			
Salaries	\$ -	\$ -	\$ 353,200	\$ 303,337	\$ 90,560	\$ 270,642	\$ 1,017,739	\$ 181,120	\$ 98,604	\$ 279,724	\$ -	\$ 1,297,463
Employee Benefits	-	-	22,405	19,259	5,750	17,183	64,597	11,499	6,260	17,759	-	82,356
Payroll Taxes	-	-	33,425	28,731	8,578	25,634	96,368	17,155	9,339	26,494	-	122,862
TOTAL PERSONNEL COSTS	-	-	409,030	351,327	104,888	313,459	1,178,704	209,774	114,203	323,977	-	1,502,681
Printing	-	-	37,025	4,592	403	28,645	70,665	88,697	483	89,180	-	159,845
Postage and Shipping	-	-	3,914	1,443	237	9,739	15,333	15,091	272	15,363	-	30,696
Telephone	-	-	11,952	7,862	2,120	6,262	28,196	3,780	2,281	6,061	-	34,257
Supplies	-	-	7,691	2,354	2,125	1,627	13,797	3,541	869	4,410	67,645	85,852
Dues and Memberships	-	-	270	748	44	132	1,194	42	48	90	-	1,284
Professional and Other Contract Service Fees	-	-	157,912	42,111	4,022	11,422	215,467	143,437	5,432	148,869	-	364,336
Travel	-	-	31,822	19,059	1,742	3,589	56,212	47,249	1,222	48,471	209,753	314,436
Meetings	-	-	54,146	14,665	29,113	1,737	99,661	5,384	218	5,602	2,779	108,042
Occupancy	-	-	94,104	80,829	24,131	72,117	271,181	48,262	26,274	74,536	15,837	361,554
Furniture and Equipment	-	-	5,787	4,951	1,478	4,418	16,634	2,956	1,610	4,566	-	21,200
Insurance (Property and Casualty)	-	-	4,933	4,237	1,265	3,780	14,215	2,530	1,377	3,907	-	18,122
Disbursements for People with MS	-	-	117,753	-	-	-	117,753	-	-	-	-	117,753
Prizes and Promotional Items	-	-	1,474	453	553	260	2,740	705	930	1,635	85,349	89,724
Miscellaneous Expense	-	-	4,333	1,557	465	1,389	7,744	81,757	506	82,263	45,393	135,400
Depreciation and Amortization	-	-	7,816	6,713	2,004	5,990	22,523	4,008	2,182	6,190	-	28,713
Restricted Contributions to National for Research and Other Activities	(2,692)	-	-	-	-	-	(2,692)	-	-	-	-	(2,692)
Functionalized National Program Expense	731,162	-	-	-	-	-	731,162	-	-	-	-	731,162
TOTAL EXPENSES BEFORE PUBLIC SUPPORT TO NATIONAL	728,470	-	949,962	542,901	174,590	464,566	2,860,489	657,213	157,907	815,120	426,756	4,102,365
Public Support to National	-	648,388	-	-	-	-	648,388	-	-	-	-	648,388
TOTAL EXPENSES INCLUDING BENEFIT TO DONOR COSTS	\$ 728,470	\$ 648,388	\$ 949,962	\$ 542,901	\$ 174,590	\$ 464,566	\$ 3,508,877	\$ 657,213	\$ 157,907	\$ 815,120	\$ 426,756	4,750,753
Less: Benefit to Donor Costs												(426,756)
TOTAL EXPENSES AS REPORTED ON STATEMENT OF ACTIVITIES												<u>\$ 4,323,997</u>

The Accompanying Notes are an Integral Part of These Financial Statements

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER**

STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended September 30, 2010

	Program Services						Total Program Services	Supporting Services			Benefit to Donor Costs	Total Expenses
	Research	National Activities	Client Programs	Community Programs	Professional Education and Training	Public Education		Fundraising	Management and General	Total Supporting Services		
Salaries	\$ -	\$ -	\$ 327,376	\$ 296,725	\$ 76,757	\$ 273,801	\$ 974,659	\$ 205,415	\$ 107,795	\$ 313,210	\$ -	\$ 1,287,869
Employee Benefits	-	-	21,690	19,659	5,085	18,141	64,575	13,610	7,142	20,752	-	85,327
Payroll Taxes	-	-	42,099	38,157	9,870	35,209	125,335	26,415	13,862	40,277	-	165,612
TOTAL PERSONNEL COSTS	-	-	391,165	354,541	91,712	327,151	1,164,569	245,440	128,799	374,239	-	1,538,808
Printing	-	-	30,198	1,598	172	16,689	48,657	66,904	242	67,146	-	115,803
Postage and Shipping	-	-	5,756	642	162	6,313	12,873	17,580	251	17,831	-	30,704
Telephone	-	-	24,443	14,326	3,541	12,632	54,942	13,722	4,974	18,696	-	73,638
Supplies	-	-	5,317	1,688	404	1,440	8,849	2,901	930	3,831	62,993	75,673
Dues and Memberships	-	-	586	555	253	884	2,278	3,123	75	3,198	-	5,476
Professional and Other Contract Service Fees	-	-	184,160	39,646	2,728	11,259	237,793	156,086	4,111	160,197	-	397,990
Travel	-	-	24,940	17,272	779	1,915	44,906	58,810	740	59,550	197,786	302,242
Meetings	-	-	34,033	10,120	3,212	1,071	48,436	6,279	334	6,613	4,321	59,370
Occupancy	-	-	88,099	79,851	20,656	73,682	262,288	55,279	29,008	84,287	16,868	363,443
Furniture and Equipment	-	-	9,448	8,082	2,091	7,457	27,078	5,595	2,935	8,530	-	35,608
Insurance (Property and Casualty)	-	-	5,524	5,006	1,295	4,620	16,445	3,466	1,818	5,284	-	21,729
Disbursements for People with MS	-	-	93,285	-	-	-	93,285	-	-	-	-	93,285
Prizes and Promotional Items	-	-	221	373	52	185	831	174	752	926	71,709	73,466
Miscellaneous Expense	-	-	4,354	2,041	528	1,883	8,806	64,368	742	65,110	46,562	120,478
Depreciation and Amortization	-	-	6,770	6,139	1,587	5,662	20,158	4,248	2,226	6,474	-	26,632
Restricted Contributions to National for Research and Other Activities	89,092	-	-	-	-	-	89,092	-	-	-	-	89,092
Functionalized National Program Expense	692,106	-	-	-	-	-	692,106	-	-	-	-	692,106
TOTAL EXPENSES BEFORE PUBLIC SUPPORT TO NATIONAL	781,198	-	908,299	541,880	129,172	472,843	2,833,392	703,975	177,937	881,912	400,239	4,115,543
Public Support to National	-	692,106	-	-	-	-	692,106	-	-	-	-	692,106
TOTAL EXPENSES INCLUDING BENEFIT TO DONOR COSTS	\$ 781,198	\$ 692,106	\$ 908,299	\$ 541,880	\$ 129,172	\$ 472,843	\$ 3,525,498	\$ 703,975	\$ 177,937	\$ 881,912	\$ 400,239	4,807,649
Less: Benefit to Donor Costs												(400,239)
TOTAL EXPENSES AS REPORTED ON STATEMENT OF ACTIVITIES												<u>\$ 4,407,410</u>

The Accompanying Notes are an Integral Part of These Financial Statements

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER**

**STATEMENTS OF CASH FLOWS
Years Ended September 30, 2011 and 2010**

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	\$ 1,200,755	\$ 284,675
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Loss on Disposal of Property and Equipment	-	3,686
Depreciation and Amortization	28,713	26,632
(Increase) Decrease in:		
Contributions and Pledges Receivable	(512,582)	(46,748)
Prepaid Expenses and Other Assets	400	(24,007)
Contribution Receivable from National Due from Other Chapters	(8,196)	-
	-	4,240
Increase (Decrease) in:		
Due to National Multiple Sclerosis Society	(891,256)	395,519
Other Payables to National	(1,357)	5,362
Due to Other Chapters	(5,773)	(1,122)
Accounts Payable and Accrued Expenses	(1,350)	120,146
	(190,646)	768,383
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(190,646)	768,383
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(14,646)	(25,618)
Due from National Multiple Sclerosis Society	10,080	1,872
	(4,566)	(23,746)
NET CASH USED IN INVESTING ACTIVITIES	(4,566)	(23,746)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(195,212)	744,637
Cash and Cash Equivalents - Beginning of Year	2,009,749	1,265,112
	2,009,749	1,265,112
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,814,537	\$ 2,009,749

The Accompanying Notes are an Integral Part of These Financial Statements

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
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**NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010**

NOTE 1 - ORGANIZATION

Multiple Sclerosis (MS) is an unpredictable, often disabling disease of the central nervous system, for which there is no cure. Symptoms range from abnormal fatigue and impaired vision, to cognitive impairment, loss of balance and/or muscle coordination, to partial or complete paralysis. The progress, severity, and specific symptoms of MS in any one person cannot yet be predicted. Twice as many women as men live with MS, which affects more than 400,000 people in the U.S., and 2.1 million worldwide.

The National Multiple Sclerosis Society is dedicated to achieving *a world free of Multiple Sclerosis*. We mobilize people and resources to address the challenges of people affected by MS and drive research to find the cause and cure for MS. Our fifty-state network of chapters helps each person address the daily challenges of living with MS. The Society funds more MS research, provides more services, and furthers more advocacy efforts than any other MS organization in the world.

The Northern California Chapter supports research efforts and delivers vital programs at minimal or no cost to more than 20,000 individuals living with MS and 120,000 family members and friends in our forty-county region in Northern California. We are committed to honoring and supporting the independence and self-sufficiency of people with MS by providing accurate and timely information, advocacy, material assistance, and emotional support.

Headquartered in San Francisco, with regional centers in Sacramento, Santa Clara and Modesto, the National Multiple Sclerosis Society, Northern California Chapter (the Chapter) has been an independently chartered organization since 1954 serving a forty county territory reaching from the Monterey Bay in the south to the Oregon border and from the Pacific to Nevada with the exclusion of Lassen and Plumas Counties.

The National MS Society, Northern California Chapter, shares the Society's vision to create a world free of multiple sclerosis. We strive to live by a set of core values (commitment, leadership, integrity, excellence and teamwork) which guide our work and our actions on a daily basis. Our mission is to mobilize people and resources to drive research for a cure and to address the challenges of everyone affected by MS.

The Chapter provides programs and services at minimal or no cost to the MS community. These programs and services address a continuum of needs from expanding basic knowledge about the disease, to providing wellness, empowerment, support and long term care, including:

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**NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010**

NOTE 1 - ORGANIZATION (continued)

- Information and referral services that identify local community resources;
- Educational workshops facilitating knowledge of MS, research and treatments, symptom management, and helping individuals cope with their new diagnosis;
- Chapter lending library of books, brochures (in English and Spanish language), videos, and DVDs on MS-related topics;
- Self-help groups and peer support services that improve coping skills and self-esteem;
- Wellness programs including outdoor adventures and adaptive therapeutic exercise programs that enhance functioning and mobility such as yoga, tai chi, Feldenkrais, and aquatics;
- Independent living services such as employment consultations and free case management to coordinate needed resources;
- Financial assistance funds to subsidize emergency needs, durable medical equipment, or respite care;
- Family programs including caregiver workshops and family fun days;
- Scholarship programs providing financial assistance to MS families with a student attending college; and
- Social activities, events and parties.

These vital programs and services address the needs of people affected by MS, wherever they are on this continuum, at a given time. The Chapter assists and empowers those with MS to enhance their own quality of life, pursue meaningful activities, and participate in society and family life.

More than 2,000 volunteers assist the Chapter; some serve in a leadership capacity as Board Trustees, MS Ambassadors, and as advocates, others serve on committees to support our annual events, including WALK MS and BIKE MS and volunteers take lead roles in our programs and services delivery. Additionally, volunteers help with office and administrative duties as well as Chapter programs, Self-Help Group leaders, peer supporters, advocacy, case management, and information and referral volunteers.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF ACCOUNTING

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) ACCOUNTING

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Chapter are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

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**NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) ACCOUNTING (continued)

- **Unrestricted Net Assets** - These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.
- **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. The Chapter had \$63,574 and \$70,443 of temporarily restricted net assets at September 30, 2011 and 2010, respectively.
- **Permanently Restricted Net Assets** - These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit the Chapter to expend all of the income (or other economic benefits) derived from the donated assets. The Chapter has no permanently restricted net assets at September 30, 2011 and 2010.

(c) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are short-term, highly liquid investments with maturities of three months or less at the time of purchase. The carrying value of cash and cash equivalents at September 30, 2011 and 2010 approximates its fair value.

The Chapter maintains its cash and cash equivalents in bank deposit accounts and other investment accounts, which, at times, may exceed federally insured limits. The Chapter has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

(d) CONTRIBUTIONS AND PLEDGES RECEIVABLE

Contributions are considered to be unrestricted unless specifically restricted by the donor. Contributions are recorded as revenue when received or promised (pledged) unconditionally, at their fair value. Gifts received with donor stipulations that limit the use of the donated assets are reported as temporarily restricted support. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is fulfilled, temporarily restricted net assets are reclassified as unrestricted 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. Contributions received and made are recorded at present value using a discount rate of 1.65% for the years ended September 30, 2011 and 2010. It is the Chapter's policy to record temporarily restricted contributions received and expended in the same accounting period in the unrestricted net asset class. As of September 30, 2011 and 2010, the Chapter evaluated the collectibility of contributions and pledges receivable and no allowance for uncollectible contribution and pledges receivable was considered necessary.

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**NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets.

Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized. Property and equipment are capitalized if the cost of an asset is equal to or greater than \$500 and the useful life is greater than one year. The useful lives are as follows:

Furniture and Equipment	3 - 10 Years
Leasehold Improvements	Lesser of Estimated Useful Life or the Term of the Lease

(f) LONG-LIVED ASSETS

The Chapter reviews the carrying values of its 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 years ended September 30, 2011 and 2010.

(g) RESEARCH AND NATIONAL ACTIVITIES EXPENSE

In January 2010, the Society's National Board of Directors approved a change in the policy for calculating each chapter's national program expense effective during the fiscal year ending September 30, 2011. This change was approved to simplify the formula, to reduce redundancies, internal reconciliations and billings, and to improve budgeting and planning. Under the new policy, the Society calculates the National Program Expense for each chapter in advance of the fiscal year after a complete review by the Budget Review Committee and National Board. The chapter's national program expense will be calculated using the average of the previous two year's audited results as the revenue base. The remittance percentage is subject to adjustment each year to ensure that the Society meets its programmatic goals and that all donor restrictions are honored. At September 30, 2011, the chapter's National Program Expense under the new policy was calculated to be \$1,379,550. 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.

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER**

**NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) RESEARCH AND NATIONAL ACTIVITIES EXPENSE (continued)

The Chapter participates in National Headquarters' direct marketing program. Unrestricted public support received under the program by National Headquarters that is attributable to Chapter sources is credited to and recorded by the Chapter at the net revenue from the program. These amounts are recorded as contributions received from National in the accompanying statement of activities.

Multi-year contributions recognized prior to the fiscal year ending September 30, 2011 that are restricted for research and other National initiatives are remitted to National when received and reflected as expense when the income is recorded at its present value and amortized over the respective periods.

(h) CONTRIBUTED GOODS AND SERVICES

The Chapter records revenue and a corresponding expense for donated services, donated goods and donated facilities. The revenues and expenses for the years ended September 30, 2011 and 2010 are reflected at fair value. Donated goods for the fiscal years ended September 30, 2011 and 2010 totaled \$43,475 and \$56,125, respectively.

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 under accounting standards.

(i) LEGACIES AND BEQUESTS

The Chapter recognizes legacies and bequests when the donors' wills have been declared valid by the probate court and/or the value of the amounts to be received is determinable.

(j) INCOME TAXES

The Chapter is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

(k) FUNCTIONAL ALLOCATION OF EXPENSES

Expenses that can be specially identified with a specific program or supporting service are charged directly to the related program or supporting service. Fundraising expenses providing a direct benefit to donors (for example, meals and facility rental) are separately identified. Expenses that are associated with more than one program or supporting service are allocated based on salaries dollars.

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER**

**NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Accordingly, actual results could differ from those estimates.

(m) SUBSEQUENT EVENTS

The Chapter has evaluated events and transactions occurring subsequent to the statement of financial position date of September 30, 2011 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through November 29, 2011, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 3 - CONTRIBUTIONS AND PLEDGES RECEIVABLE

Contributions and pledges receivable at September 30, 2011 and 2010 are expected to be collected as follows:

	2011	2010
Due in Less than One Year	\$ 720,096	\$ 196,253
Due in One to Five Years	43,739	55,000
	CONTRIBUTIONS AND	
	PLEDGES RECEIVABLE	
	\$ 763,835	\$ 251,253

In December 2007, the Chapter was named as an income beneficiary of a foundation. The foundation is currently making monthly distributions to five organizations of the income earned in the foundation. The foundation has variance power over the distributions. The Chapter is recognizing income as received due to this variance power. During the years ended September 30, 2011 and 2010, the Chapter received \$616,408 and \$480,797, respectively, from the foundation.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of September 30, 2011 and 2010:

	2011	2010
Furniture and Equipment	\$ 191,100	\$ 236,334
Leasehold Improvements	15,000	15,000
Less: Accumulated Depreciation	(129,075)	(160,242)
	PROPERTY AND EQUIPMENT (NET)	
	\$ 77,025	\$ 91,092

Depreciation and amortization expense for the years ended September 30, 2011 and 2010 was \$28,713 and \$26,632, respectively.

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER**

NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at September 30:

	2011	2010
Rent Subsidy	\$ 53,739	\$ 65,000
Program Support	9,835	5,443
	TOTAL TEMPORARILY	RESTRICTED NET ASSETS
	\$ 63,574	\$ 70,443

NOTE 6 - COMMITMENTS AND CONTINGENCIES

(a) OPERATING LEASES

The Chapter rents certain facilities and equipment under operating lease agreements expiring through January 2016.

Future minimum commitments under existing non-cancellable leases as of September 30, 2011 are as follows:

Years Ending September 30

2012	\$ 206,928
2013	212,852
2014	209,406
2015	197,491
2016	7,886
TOTAL	\$ 834,563

Rental expense was \$319,945 and \$313,592 for the years ended September 30, 2011 and 2010, respectively, and is included in occupancy expense in the accompanying statement of functional expenses.

(b) RESERVE FOR UNEMPLOYMENT

The Chapter has elected to be self-insured for the purposes of employees' unemployment claims. The unemployment liability is paid in advance for the next fiscal year's expected costs. The prepaid unemployment reserve was \$33,538 and \$45,818 for the years ended September 30, 2011 and 2010, respectively. Unemployment expense for the years ended September 30, 2011 and 2010 was \$29,635 and \$71,293, respectively.

	2011	2010
Reserve - Beginning of the Year	\$ 45,818	\$ 35,192
Payments Made to Fund Related Liabilities	17,355	81,919
Self-Insurance Expenses Incurred	(29,635)	(71,293)
NET RESERVE FOR UNEMPLOYMENT	\$ 33,538	\$ 45,818

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER**

**NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010**

NOTE 7 - RETIREMENT PLAN

The Chapter provides retirement benefits to its employees through a 403(b) tax deferred annuity purchase plan. Employees may elect to contribute to the plan upon employment and are fully vested. Each year, a Chapter contribution is at management's discretion. There was no retirement expense for the years ending September 30, 2011 and 2010. At September 30, 2011 the Chapter contributed \$4,515 to the plan using forfeited funds from a 403(b) tax deferred plan associated to a chapter merged with Northern California.

NOTE 8 - ALLOCATION OF JOINT COSTS

In fiscal 2011 and 2010, the Chapter incurred joint costs for information materials and activities that included fundraising appeals. Such costs were allocated by accounting standards which define accounting for costs of activities of non-for-profit organizations and state and local government entities that include fundraising. The costs have been allocated as follows:

	<u>2011</u>	<u>2010</u>
Public Education	\$ 85,998	\$ 61,530
Fundraising	103,788	84,484
Management and General	753	493
<i>TOTAL</i>	<u>\$ 190,539</u>	<u>\$ 146,507</u>

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER**

SUPPLEMENTAL INFORMATION

YEAR ENDED SEPTEMBER 30, 2011

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION**

To the Board of Trustees
National Multiple Sclerosis Society,
Northern California Chapter

Our report on our audits of the basic financial statements of National Multiple Sclerosis Society, Northern California Chapter (the Chapter) as of and for the years ended September 30, 2011 and 2010 appears on Page 1. Those audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information presented in the following schedules is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Green Hasson & Janks LLP

November 29, 2011
Los Angeles, California

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER**

**SCHEDULE OF INCOME FROM SPECIAL EVENTS AND NEW CAMPAIGNS
Year Ended September 30, 2011**

Event Description	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Sponsorship		Other Restricted Income	Total Sponsorship and Other Restricted Income (1)+(2)+(3)	Campaign Income	Total Columns (4)+(5)	Direct Benefit to Donor Costs	Other Direct Expenses	Total Costs Less Total Sponsorship Columns (7)+(8)-(1)-(2)
	Cash	In-Kind							
Walk MS	\$ 81,650	\$ 14,295	\$ 42,903	\$ 138,848	\$ 1,217,042	\$ 1,355,890	\$ 124,775	\$ 115,145	\$ 143,975
BiKe MS	96,450	29,180	-	125,630	1,936,989	2,062,619	297,732	225,800	397,902
Other Special Events:									
Marathon Strides	-	-	-	-	17,311	17,311	706	5,300	6,006
Other	-	-	-	-	38,238	38,238	3,543	414	3,957
TOTAL	\$ 178,100	\$ 43,475	\$ 42,903	\$ 264,478	\$ 3,209,580	\$ 3,474,058	\$ 426,756	\$ 346,659	\$ 551,840

See Independent Auditors' Report on Supplemental Information

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER**

**SCHEDULE OF MEMBERSHIP AND CONTRIBUTIONS
Year Ended September 30, 2011**

	Unrestricted	Temporarily Restricted	Total 2011	Amount of In-Kind Included in 2011 Total
INDIVIDUAL CONTRIBUTIONS:				
General Gifts	\$ 1,744	\$ -	\$ 1,744	\$ -
Major Gifts/Golden Circle	275,904	-	275,904	-
Tributes and Memorials	27,918	-	27,918	-
Workplace Giving/United Way	63,860	-	63,860	-
TOTAL INDIVIDUAL CONTRIBUTIONS	369,426	-	369,426	-
CORPORATE CONTRIBUTIONS:				
Corporate Gifts	50,701	-	50,701	-
Matching Gifts	24,426	-	24,426	-
Tributes and Memorials	550	-	550	-
TOTAL CORPORATE CONTRIBUTIONS	75,677	-	75,677	-
Foundation Gifts and Grants	25,898	15,000	40,898	-
OTHER CONTRIBUTIONS:				
Community (Third Party) Event Income	53,540	-	53,540	-
TOTAL OTHER CONTRIBUTIONS	53,540	-	53,540	-
TOTAL MEMBERSHIP AND CONTRIBUTIONS	\$ 524,541	\$ 15,000	\$ 539,541	\$ -

See Independent Auditors' Report on Supplemental Information

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER**

SCHEDULE OF AMOUNT DUE TO NATIONAL HEADQUARTERS
September 30, 2011

REMITTANCE:

Total FY2011 National Program Expense per Annual Remittance Invoice		\$ 1,379,550
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PAYMENTS MADE BY THE CHAPTER

October 2010 through September 2011 - Cash	2,112,875	
Less: Payments made for FY2010 (including honor roll of \$1,280)	395,544	
Less: Payments made for FY2009 and Prior Years	500,000	

TOTAL PAYMENTS MADE FOR FY2011		1,217,331
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CREDITS AND ADJUSTMENTS:

Direct Mail Received at National in FY2011	157,931	

TOTAL PAYMENTS, CREDITS AND ADJUSTMENTS		1,375,262
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BALANCE DUE NATIONAL OR CHAPTER FOR FY2011		4,288
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REMITTANCE INDEBTEDNESS:

Remittance Balance Due National or Chapter	1,146,980	
Less Payments for FY2010 in current year	(395,544)	
Less Payments for FY2009 and prior years during current year	(500,000)	
Adjusted Balance Due National or (Chapter) for Prior Years		251,436

TOTAL REMITTANCE BALANCE DUE NATIONAL OR CHAPTER AT SEPTEMBER 30, 2011		255,724
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OTHER PAYABLES:

Campaign Supplies		15,396
		15,396

TOTAL OTHER PAYABLES TO NATIONAL		\$ 15,396
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