

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2012 AND 2011**

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

CONTENTS

September 30, 2012 and 2011

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4 - 5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 17
SUPPLEMENTAL INFORMATION	
Independent Auditor's Report on Supplemental Information	18
Schedule of Income from Special Events and New Campaigns	19
Schedule of Memberships and Contributions	20
Schedule of Amounts Due to National Multiple Sclerosis Society	21

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
National Multiple Sclerosis Society,
Northern California Chapter
San Francisco, California

We have audited the accompanying statement of financial position of National Multiple Sclerosis Society, Northern California Chapter (the "Chapter") as of September 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Chapter's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Chapter for the year ended September 30, 2011 were audited by other auditors whose report, dated November 29, 2011, expressed an unqualified opinion on those statements.

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 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 audit provides 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 National Multiple Sclerosis Society, Northern California Chapter as of September 30, 2012, and the changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



SingerLewak LLP

San Jose, California
December 7, 2012

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

STATEMENTS OF FINANCIAL POSITION

September 30, 2012 and 2011

ASSETS	2012	2011
Current assets		
Cash and cash equivalents	\$ 2,512,087	\$ 1,814,537
Contributions and pledges receivable	193,275	720,096
Contributions receivable from National Multiple Sclerosis Society	-	8,196
Prepaid expenses and other assets	109,216	95,865
Total current assets	2,814,578	2,638,694
Noncurrent assets		
Contributions and pledges receivable	33,011	43,739
Property and equipment, net	86,543	77,025
Due from National Multiple Sclerosis Society	53,797	30,119
Due from chapters	2,355	-
Total noncurrent assets	175,706	150,883
Total assets	\$ 2,990,284	\$ 2,789,577
LIABILITIES AND NET ASSETS		
Current liabilities		
Due to National Multiple Sclerosis Society		
Remittance due to National	\$ 12,211	\$ 255,724
Other payables to National	13,728	15,396
Accounts payable and accrued expenses	499,072	389,046
Total current liabilities	525,011	660,166
Net assets		
Unrestricted	2,417,654	2,065,837
Temporarily restricted	47,619	63,574
Total net assets	2,465,273	2,129,411
Total liabilities and net assets	\$ 2,990,284	\$ 2,789,577

The accompanying notes are an integral part of these financial statements.

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER
STATEMENTS OF ACTIVITIES
For the Years Ended September 30, 2012 and 2011**

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support								
Received directly								
Special events (includes in-kind donations of \$154,911 in 2012 and \$43,475 in 2011)	\$ 4,030,538	\$ -	\$ -	\$ 4,030,538	\$ 3,474,058	\$ -	\$ -	\$ 3,474,058
Less benefit to donor costs	(469,312)	-	-	(469,312)	(426,756)	-	-	(426,756)
	<u>3,561,226</u>	<u>-</u>	<u>-</u>	<u>3,561,226</u>	<u>3,047,302</u>	<u>-</u>	<u>-</u>	<u>3,047,302</u>
Memberships and contributions (includes in-kind donations of \$77,595 in 2012 and \$0 in 2011)	713,933	30,000	-	743,933	524,541	15,000	-	539,541
Legacies	733,697	-	-	733,697	1,635,986	-	-	1,635,986
Received at National (other than legacies)	<u>130,301</u>	<u>-</u>	<u>-</u>	<u>130,301</u>	<u>157,931</u>	<u>-</u>	<u>-</u>	<u>157,931</u>
Total received directly	<u>5,139,157</u>	<u>30,000</u>	<u>-</u>	<u>5,169,157</u>	<u>5,365,760</u>	<u>15,000</u>	<u>-</u>	<u>5,380,760</u>
Received indirectly								
Combined Federal Service Campaign	10,933	-	-	10,933	2,934	-	-	2,934
Federated fundraising organizations	<u>11,375</u>	<u>-</u>	<u>-</u>	<u>11,375</u>	<u>17,641</u>	<u>-</u>	<u>-</u>	<u>17,641</u>
Total received indirectly	<u>22,308</u>	<u>-</u>	<u>-</u>	<u>22,308</u>	<u>20,575</u>	<u>-</u>	<u>-</u>	<u>20,575</u>
Total public support	<u>5,161,465</u>	<u>30,000</u>	<u>-</u>	<u>5,191,465</u>	<u>5,386,335</u>	<u>15,000</u>	<u>-</u>	<u>5,401,335</u>
Other revenue								
Investment income	191	-	-	191	83	-	-	83
Service program fees	6,790	-	-	6,790	7,235	-	-	7,235
Miscellaneous income (includes subsidy from other chapters)	<u>94,261</u>	<u>-</u>	<u>-</u>	<u>94,261</u>	<u>116,099</u>	<u>-</u>	<u>-</u>	<u>116,099</u>
Total other revenue	<u>101,242</u>	<u>-</u>	<u>-</u>	<u>101,242</u>	<u>123,417</u>	<u>-</u>	<u>-</u>	<u>123,417</u>
Net assets released from restrictions	45,955	(45,955)	-	-	21,869	(21,869)	-	-
Total revenue	<u>5,308,662</u>	<u>(15,955)</u>	<u>-</u>	<u>5,292,707</u>	<u>5,531,621</u>	<u>(6,869)</u>	<u>-</u>	<u>5,524,752</u>
Expenses								
Program services								
Research	975,582	-	-	975,582	728,470	-	-	728,470
Public Support to National	687,957	-	-	687,957	648,388	-	-	648,388
Client programs	938,749	-	-	938,749	949,962	-	-	949,962
Community programs	571,608	-	-	571,608	542,901	-	-	542,901
Professional education and training	141,822	-	-	141,822	174,590	-	-	174,590
Public education	<u>599,059</u>	<u>-</u>	<u>-</u>	<u>599,059</u>	<u>464,566</u>	<u>-</u>	<u>-</u>	<u>464,566</u>
Total program services	<u>3,914,777</u>	<u>-</u>	<u>-</u>	<u>3,914,777</u>	<u>3,508,877</u>	<u>-</u>	<u>-</u>	<u>3,508,877</u>
Supporting services								
Fundraising	881,379	-	-	881,379	657,213	-	-	657,213
Management and general	<u>160,689</u>	<u>-</u>	<u>-</u>	<u>160,689</u>	<u>157,907</u>	<u>-</u>	<u>-</u>	<u>157,907</u>
Total supporting services	<u>1,042,068</u>	<u>-</u>	<u>-</u>	<u>1,042,068</u>	<u>815,120</u>	<u>-</u>	<u>-</u>	<u>815,120</u>
Total expenses	<u>4,956,845</u>	<u>-</u>	<u>-</u>	<u>4,956,845</u>	<u>4,323,997</u>	<u>-</u>	<u>-</u>	<u>4,323,997</u>
Change in net assets	351,817	(15,955)	-	335,862	1,207,624	(6,869)	-	1,200,755
Net assets, beginning of 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>
Net assets, end of year	<u>\$ 2,417,654</u>	<u>\$ 47,619</u>	<u>\$ -</u>	<u>\$ 2,465,273</u>	<u>\$ 2,065,837</u>	<u>\$ 63,574</u>	<u>\$ -</u>	<u>\$ 2,129,411</u>

The accompanying notes are an integral part of these financial statements.

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2012**

	Program Services						Supporting Services					Total
	Research	National Activities	Client Programs	Community Programs	Professional Education and Training	Public Education	Total Program Services	Fundraising	Management and General	Supporting Services Total	Benefit to Donor Costs	
Salaries	\$ -	\$ -	\$ 352,551	\$ 323,042	\$ 87,393	\$ 315,381	1,078,367	\$ 245,722	\$ 94,628	\$ 340,350	\$ -	\$ 1,418,717
Employment benefits	-	-	36,550	33,491	9,060	32,697	111,798	25,475	9,811	35,286	-	147,084
Payroll taxes	-	-	24,900	22,816	6,173	22,275	76,164	17,355	6,684	24,039	-	100,203
Total salary and related expenses	-	-	414,001	379,349	102,626	370,353	1,266,329	288,552	111,123	399,675	-	1,666,004
Printing	-	-	18,623	2,400	317	41,935	63,275	64,068	344	64,412	-	127,687
Postage and shipping	-	-	3,155	912	245	12,836	17,148	13,381	283	13,664	-	30,812
Telephone	-	-	10,762	7,788	2,001	7,007	27,558	5,653	2,103	7,756	-	35,314
Supplies	-	-	7,134	1,291	285	1,760	10,470	3,138	309	3,447	81,235	95,152
Dues and memberships	-	-	147	735	37	132	1,051	578	40	618	-	1,669
Professional and other contract service fees	-	-	180,468	44,601	4,741	51,730	281,540	268,943	12,657	281,600	-	563,140
Travel	-	-	35,810	15,298	1,749	4,611	57,468	63,201	1,683	64,884	212,682	335,034
Meetings	-	-	35,233	11,368	682	3,472	50,755	6,135	416	6,551	7,450	64,756
Occupancy	-	-	95,730	87,718	23,730	85,637	292,815	66,722	25,695	92,417	22,566	407,798
Furniture and equipment	-	-	5,434	4,979	1,347	4,861	16,621	3,787	1,459	5,246	-	21,867
Insurance (property and casualty)	-	-	5,543	5,079	1,374	4,958	16,954	3,863	1,488	5,351	-	22,305
Awards and grants to other MS-related organization	-	-	675	-	-	65	740	-	-	-	-	740
Direct financial assistance	-	-	112,887	-	-	-	112,887	-	-	-	-	112,887
Prizes and promotional items	-	-	163	300	40	145	648	1,118	222	1,340	107,823	109,811
Miscellaneous expense	-	-	3,512	1,111	300	1,084	6,007	85,638	325	85,963	37,556	129,526
Depreciation and amortization	-	-	9,472	8,679	2,348	8,473	28,972	6,602	2,542	9,144	-	38,116
Restricted contributions to National for research and other activities	100,000	-	-	-	-	-	100,000	-	-	-	-	100,000
Functionalized National program expenses	875,582	-	-	-	-	-	875,582	-	-	-	-	875,582
Total expenses before public support to National	975,582	-	938,749	571,608	141,822	599,059	3,226,820	881,379	160,689	1,042,068	469,312	4,738,200
Public support to National	-	687,957	-	-	-	-	687,957	-	-	-	-	687,957
Total expenses	\$ 975,582	\$ 687,957	\$ 938,749	\$ 571,608	\$ 141,822	\$ 599,059	\$ 3,914,777	\$ 881,379	\$ 160,689	\$ 1,042,068	\$ 469,312	5,426,157
Less benefit to donor costs												(469,312)
Total expenses as reported on statement of activities												\$ 4,956,845

The accompanying notes are an integral part of these financial statements.

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2011**

	Program Services						Supporting Services				Benefit to Donor Costs	Total
	Research	National Activities	Client Programs	Community Programs	Professional Education and Training	Public Education	Total Program Services	Fundraising	Management and General	Supporting Services Total		
Salaries	\$ -	\$ -	\$ 353,200	\$ 303,337	\$ 90,560	\$ 270,642	\$ 1,017,739	\$ 181,120	\$ 98,604	\$ 279,724	\$ -	\$ 1,297,463
Employment 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 salary and related expenses	-	-	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 expenses	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	\$ 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												\$ 4,323,997

The accompanying notes are an integral part of these financial statements.

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2012 and 2011**

	2012	2011
Cash flows from operating activities		
Change in net assets	\$ 335,862	\$ 1,200,755
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	38,116	28,713
Donated property and equipment	(43,155)	-
Changes in operating assets and liabilities		
Contributions and pledges receivables	537,549	(512,582)
Contributions receivable from National	8,196	(8,196)
Prepaid expenses and other assets	(13,351)	400
Due to National Multiple Sclerosis Society	(243,513)	(891,256)
Other payables to National	(1,668)	(1,357)
Due from other chapters	(2,355)	-
Due to other chapters	-	(5,773)
Accounts payable and accrued liabilities	110,026	(1,350)
	725,707	(190,646)
Cash flows from investing activities		
Due from National Multiple Sclerosis Society	(23,678)	10,080
Purchases of property and equipment	(4,479)	(14,646)
	(28,157)	(4,566)
Net cash used in investing activities		
Net increase (decrease) in cash and cash equivalents	697,550	(195,212)
Cash and cash equivalents, beginning of year	1,814,537	2,009,749
Cash and cash equivalents, end of year	\$ 2,512,087	\$ 1,814,537
Non-cash investing activities		
Contributions of property of equipment	\$ 43,155	\$ -

The accompanying notes are an integral part of these financial statements.

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER**
NOTES TO FINANCIAL STATEMENTS
September 30, 2012 and 2011

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 US, and 2.1 million worldwide.

The National Multiple Sclerosis Society (the “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 in the north, and from the Pacific to Nevada with the exclusion of Lassen and Plumas Counties.

The Chapter shares the Society’s vision to create a world free of MS. 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:

- 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;

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER**
NOTES TO FINANCIAL STATEMENTS
September 30, 2012 and 2011

NOTE 1 – ORGANIZATION (Continued)

- 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

Basis of Accounting

The accompanying 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”).

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER**
NOTES TO FINANCIAL STATEMENTS
September 30, 2012 and 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

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 which 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 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. The Chapter did not have any permanently restricted net assets as of September 30, 2012 or 2011.

Use of Estimates

The preparation of financial statements' in conformity with GAAP 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.

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, 2012 and 2011 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 amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). Effective December 31, 2010, as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act, all funds in non-interest bearing accounts are fully insured by the FDIC. As of September 30, 2012, the Chapter has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk of cash accounts.

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER
NOTES TO FINANCIAL STATEMENTS
September 30, 2012 and 2011**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Statements 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. 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. Noncurrent contributions are recorded at present value using a discount rate of 4.88% for the years ended September 30, 2012 and 2011. 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, 2012 and 2011, the Chapter evaluated the collectability of contributions and pledges receivable and no allowance for uncollectible contributions and pledges receivable was considered necessary.

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 estimated useful lives are as follows:

Computers, furniture, and equipment	3 – 10 years
Leasehold improvements	Lesser of estimated useful life or the term of the lease

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, 2012 and 2011.

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER**
NOTES TO FINANCIAL STATEMENTS
September 30, 2012 and 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 beginning the fiscal year ended 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's meets its programmatic goals and that all donor restrictions are honored. At September 30, 2012 and 2011, the Chapter's National Program Expense under the new policy was calculated to be \$1,563,539 and \$1,379,550, respectively. By setting the Chapter's National Program Expense in advance, the chapters and the national organization are in a better position to control resources through their respective budgeting and planning processes.

The Chapter participates in 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 50% of the net revenue from the program. These amounts are recorded as contributions received from National in the accompanying Statements of Activities.

Contributed Goods and Services

The Chapter records revenue and a corresponding expense for donated services, donated goods, and donated facilities. These revenues and expenses for the years ended September 30, 2012 and 2011 are reflected at fair value. Donated goods and services for the fiscal years ended September 30, 2012 and 2011 totaled \$232,506 and \$43,475, 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.

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.

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER**
NOTES TO FINANCIAL STATEMENTS
September 30, 2012 and 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Franchise and Income Taxes

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 California state franchise and San Francisco City income taxes.

The FASB issued ASC Section 740-10 (formerly known as FASB Interpretation No. 48), *Accounting for Uncertainty in Income Taxes—an Interpretation of FASB No. 109*. This interpretation clarifies the accounting for income taxes by prescribing the minimum standard a tax position is required to meet before being recognized in the financial statements. ASC Section 740-10 is effective for fiscal years beginning after December 15, 2007. The Chapter has not taken any uncertain tax positions that should be accounted for under ASC Section 740-10.

The Chapter's federal Return of Organization Exempt from Income Tax (Forms 990) for the years ended September 2009 through 2011 are subject to examination by the Internal Revenue Service, generally for three years after they are filed. The Chapter's state returns (Forms 199) for the years ended September 30, 2008 through 2011 could be subject to examination by state taxing authorities, generally four years after they are filed.

Fair Value of Financial Instruments

As defined in FASB ASC Topic No. 820, "Fair Value Measurements and Disclosures" ("ASC 820") (formerly SFAS No. 157, "Fair Value Measurements"), fair value is the price that would be received to sell an asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Chapter uses the market approach. Based on this approach, the Chapter utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Chapter is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and the reliability of the information used to determine fair values.

As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Include other inputs that are directly or indirectly observable in the marketplace.

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER**
NOTES TO FINANCIAL STATEMENTS
September 30, 2012 and 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)

Level 3 – Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. For the fiscal years ended September 30, 2012 and 2011, the application of valuation techniques applied to similar assets and liabilities has been consistent.

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.

Recently Adopted Accounting Pronouncement

In May 2011, the FASB issued ASU No. 2011-04, “Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs” (“ASU No. 2011-04”), which amends ASC Topic 820, “Fair Value Measurement”. ASU No. 2011-04 does not extend the use of fair value accounting, but provides guidance on how it should be applied where its use is already required or permitted by other standards within U.S. GAAP or International Financial Reporting Standards. ASU No. 2011-14 changes the wording used to describe many requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. Additionally, ASU No. 2011-14 clarifies the FASB's intent about the application of existing fair value measurements. ASU No. 2011-04 is effective for interim and annual periods beginning after December 15, 2011, and is applied prospectively. The Chapter will adopt this guidance beginning the first quarter of fiscal year 2013. The Chapter does not expect the adoption of ASU No. 2011-04 will have a material impact on its financial position, results of operations, or cash flows.

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER**
NOTES TO FINANCIAL STATEMENTS
September 30, 2012 and 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncement

In October 2012, the FASB issued Accounting Standards Update No. 2012-05, Not-for-Profit Entities (“NFP”): Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows (“ASU 2012-05”), which require a NFP to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows, if those cash receipts were from the sale of donated financial assets that, upon receipt, were directed without any NFP-imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated securities should be classified as cash flows from investing activities by the NFP. ASU 2012-05 is effective prospectively for fiscal years and interim periods within those years beginning after June 15, 2013. Retrospective application to all prior periods presented upon the date of adoption is permitted. The Chapter’s management is in the process of assessing the effect that this guidance will have on the financial statements.

NOTE 3 – CONTRIBUTIONS AND PLEDGES RECEIVABLE

Contributions and pledges receivable at September 30, 2012 and 2011 expected to be collected are as follows:

	2012	2011
Due in less than one year	\$ 193,275	\$ 720,096
Due in one to five years	33,011	43,739
Total	\$ 226,286	\$ 763,835

In December 2007, the Chapter was named as an income beneficiary of a foundation. The foundation is currently making monthly distributions to five organizations from 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, 2012 and 2011, the Chapter received \$672,159 and \$616,408, respectively, from the foundation.

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER**
NOTES TO FINANCIAL STATEMENTS
September 30, 2012 and 2011

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of September 30, 2012 and 2011:

	2012	2011
Computers, furniture, and equipment	\$ 237,356	\$ 191,100
Leasehold improvements	15,000	15,000
Less accumulated depreciation	165,813	129,075
Total	\$ 86,543	\$ 77,025

Depreciation and amortization expense for the years ended September 30, 2012 and 2011 was \$38,116 and \$28,713, respectively.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of September 30, 2012 and 2011:

	2012	2011
Rent subsidy (purpose)	\$ 43,011	\$ 53,739
Program support (purpose)	4,608	9,835
Total	\$ 47,619	\$ 63,574

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Operating Leases

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

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER**
NOTES TO FINANCIAL STATEMENTS
September 30, 2012 and 2011

NOTE 6 – COMMITMENTS AND CONTINGENCIES (Continued)

Future minimum lease payments for equipment, vehicles, and facilities are as follows:

For the Years Ending <u>September 30,</u>	
2013	\$ 214,620
2014	211,226
2015	182,560
2016	<u>3,494</u>
Total	<u>\$ 611,900</u>

Rental expense, which includes the Chapter's portion of common area expenses, totaled \$359,736 and \$319,945 for the years ended September 30, 2012 and 2011, respectively, and is included in occupancy expense in the accompanying Statements of Functional Expenses.

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 \$43,377 and \$33,538 for the years ended September 30, 2012 and 2011, respectively. Unemployment expense for the years ended September 30, 2012 and 2011 was \$5,872 and \$29,635, respectively.

	<u>2012</u>	<u>2011</u>
Reserve, beginning of the year	\$ 33,538	\$ 45,818
Payments made to fund related liabilities	15,711	17,355
Self-insurance income/expenses incurred	<u>(5,872)</u>	<u>(29,635)</u>
Reserve, end of year	<u>\$ 43,377</u>	<u>\$ 33,538</u>

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. Retirement expense totaled \$31,927 and \$0 for the years ended September 30, 2012 and 2011, respectively. 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 that merged with Northern California.

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER**
NOTES TO FINANCIAL STATEMENTS
September 30, 2012 and 2011

NOTE 8 – GIFT ANNUITY

The Society is the beneficiary in a number of split-interest agreements with donors, whereby National Headquarters 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). In prior years through the year ended September 30, 2011, the residual assets under these agreements were shared between the chapter designated by the donor and National Headquarters, generally at 60% for the chapter and 40% for National Headquarters, unless otherwise designated by the donor.

Effective fiscal year 2012, the Chapter Relations Committee (CRC) of the Board of Directors of the Society adopted a new policy which allocates 100% of the residual assets to the chapter in a split-interest agreement where a chapter is designated as a beneficiary by the donor.

The CRC also applied the policy to all such agreements entered into as of September 30, 2011, resulting in the reallocation to the chapters, during fiscal year 2012, the portion of contributions previously credited to National Headquarters as of that date. National Headquarters continues to hold, manage, invest, and control the donated assets.

The contributions allocated to the Chapter under split-interest agreements for the years ended September 30, 2012 and 2011 were \$53,797 and \$30,119, respectively.

NOTE 9 – SUBSEQUENT EVENTS

The Chapter has evaluated subsequent events through December 7, 2012, the date the financial statements were issued.

NOTE 10 – ALLOCATION OF JOINT COSTS

In fiscal 2012 and 2011, the Chapter incurred joint costs of \$5,284 and \$10,651, respectively, for information materials and activities that included fundraising appeals. Such costs were allocated by accounting standards which define accounting for costs of activities of not-for-profit organizations and state and local government entities that include fundraising. The remaining joint costs associated with public education were considered to be insignificant, as they were less than \$1,000 in both fiscal 2012 and 2011, and were included with fundraising on the accompanying Statements of Functional Expenses.

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTAL INFORMATION**

To the Board of Directors
National Multiple Sclerosis Society,
Northern California Chapter
San Francisco, California

Our report on our audit of the basic financial statements of the National Multiple Sclerosis Society, Northern California Chapter as of September 30, 2012, and for the year then ended appears on Page 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information presented in the following section of this report 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 audits 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.



SingerLewak LLP

December 7, 2012
San Jose, California

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER
SCHEDULE OF INCOME FROM SPECIAL EVENTS AND NEW CAMPAIGNS
For the Year Ended September 30, 2012**

Event Description	Sponsorship		Other Restricted Income	Total Sponsorship and Other Restricted Income	Campaign Income	Total	Direct Benefit to Donor Costs	Other Direct Expenses	Total Costs
	Cash	In-kind							
Walk MS	\$ 94,450	\$ 116,539	\$ 45,625	\$ 256,614	\$ 1,361,152	\$ 1,617,766	\$ 155,867	\$ 212,504	\$ 368,371
Bike MS	111,400	38,372	-	149,772	2,213,962	2,363,734	306,854	243,771	550,625
Marathon Strides	5,500	-	-	5,500	10,090	15,590	124	781	905
Duskbuster Run	-	-	-	-	33,448	33,448	6,467	1,479	7,946
TOTAL	\$ 211,350	\$ 154,911	\$ 45,625	\$ 411,886	\$ 3,618,652	\$ 4,030,538	\$ 469,312	\$ 458,535	\$ 927,847

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER
SCHEDULE OF MEMBERSHIPS AND CONTRIBUTIONS
For the Year Ended September 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2012 Totals</u>	<u>Amount of In-kind Included in 2012 Totals</u>
Individual Contributions:				
General Gifts	\$ 233,595	\$ -	\$ 233,595	\$ -
Major Gifts	217,233	-	217,233	34,440
Tributes and Memorials	24,927	-	24,927	-
Workplace Giving	<u>83,959</u>	<u>-</u>	<u>83,959</u>	<u>-</u>
Total individual contributions	<u>559,714</u>	<u>-</u>	<u>559,714</u>	<u>34,440</u>
Corporate Contributions:				
Corporate Gifts	54,410	-	54,410	43,155
Matching Gifts	26,228	-	26,228	-
Tributes and Memorials	<u>450</u>	<u>-</u>	<u>450</u>	<u>-</u>
Total corporate contributions	<u>81,088</u>	<u>-</u>	<u>81,088</u>	<u>43,155</u>
Foundation gifts and grants	<u>28,119</u>	<u>30,000</u>	<u>58,119</u>	<u>-</u>
Other Campaign Income	<u>45,012</u>	<u>-</u>	<u>45,012</u>	<u>-</u>
Grand Total Memberships and Contributions	<u>\$ 713,933</u>	<u>\$ 30,000</u>	<u>\$ 743,933</u>	<u>\$ 77,595</u>

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
NORTHERN CALIFORNIA CHAPTER**
SCHEDULE OF AMOUNTS DUE TO NATIONAL MULTIPLE SCLEROSIS SOCIETY
September 30, 2012

REMITTANCE:

Total FY 2012 National Program Expense per Annual Remittance Invoice	\$ 1,563,539
Add: Research Honor Roll contributed from specific gifts	<u>100,000</u>

Total National Program Expense	<u>1,663,539</u>
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Chapter Payments:

October 2011 thru September 2012	1,776,751
Less: Payments for FY11 and prior years	(4,288)
Less: Payments for FY10 and prior years	<u>(251,436)</u>

Total Paid for FY 2012	<u>1,521,027</u>
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Credits:

Direct Mail Received At National in FY 2012:	<u>130,301</u>
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Total Payments, Credits and Adjustments	<u>1,651,328</u>
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Balance Due National for FY 2012	<u>\$ 12,211</u>
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Remittance Indebtedness:

Remittance Balance Due National as of September 30, 2011	\$ 255,724
Less: Payments for FY11 in current year	(4,288)
Less: Payments for FY10 and prior years during current year	<u>(251,436)</u>

Adjusted Balance Due National for prior years	<u>\$ -</u>
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Other Payables to National:

Campaign Supplies	\$ 3,051
Bike Magazine Subscriptions	804
On-line donation processing fees	<u>9,873</u>

Total Other Payables to National	<u>\$ 13,728</u>
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IN ADDITION - AMOUNTS PAYABLE TO/FROM OTHER CHAPTERS:

Due from Minnesota - contribution from donor	\$ 1,800
Due from Southern California - shared advertising costs	<u>555</u>

Total due from other Chapters at September 30, 2012	<u>\$ 2,355</u>
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