

**THE NATIONAL MULTIPLE SCLEROSIS SOCIETY
OREGON CHAPTER**

**Financial Statements
and
Independent Auditors' Report
September 30, 2016 and 2015**

EKS&H
AUDIT | TAX | CONSULTING

**THE NATIONAL MULTIPLE SCLEROSIS SOCIETY
OREGON CHAPTER**

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
The National Multiple Sclerosis Society Oregon Chapter
Portland, Oregon

We have audited the accompanying financial statements of The National Multiple Sclerosis Society Oregon Chapter (the "Chapter"), which are comprised of the statements of financial position as of September 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

To the Board of Trustees
The National Multiple Sclerosis Society Oregon Chapter
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Oregon Chapter as of September 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTER REGARDING SOCIETY REALIGNMENT

As discussed in Note 8 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

January 11, 2017
Denver, Colorado

**THE NATIONAL MULTIPLE SCLEROSIS SOCIETY
OREGON CHAPTER**

Statements of Financial Position

	September 30,	
	2016	2015
Assets		
Current assets		
Cash and cash equivalents	\$ 279,509	\$ 382,446
Contributions receivable	513,213	339,491
Contributions receivable from home office	-	1,732
Prepaid expenses	13,229	15,848
Total current assets	805,951	739,517
Non-current assets		
Contributions receivable	-	216,618
Security deposits	6,843	6,843
Property and equipment, net	8,567	10,237
Total non-current assets	15,410	233,698
Total assets	\$ 821,361	\$ 973,215
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 96,803	\$ 136,766
Deferred revenue	2,187	2,791
Deferred rent liability	5,128	2,923
Total current liabilities	104,118	142,480
Long-term liabilities		
Deferred rent liability	10,643	15,771
Total long-term liabilities	10,643	15,771
Total liabilities	114,761	158,251
Commitments and contingencies		
Net assets		
Unrestricted	474,600	355,346
Temporarily restricted	232,000	459,618
Total net assets	706,600	814,964
Total liabilities and net assets	\$ 821,361	\$ 973,215

See notes to financial statements.

**THE NATIONAL MULTIPLE SCLEROSIS SOCIETY
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Statements of Activities

	For the Years Ended					
	September 30, 2016			September 30, 2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Public support						
Special events (includes in-kind donations of \$103,770 (2016) and \$106,513 (2015))	\$ 1,852,784	\$ -	\$ 1,852,784	\$ 1,809,893	\$ -	\$ 1,809,893
Less benefit-to-donor costs	<u>(303,617)</u>	-	<u>(303,617)</u>	<u>(328,577)</u>	-	<u>(328,577)</u>
Total received directly	1,549,167	-	1,549,167	1,481,316	-	1,481,316
Contributions (includes in-kind donations of \$0 (2016) and \$525 (2015))	245,181	-	245,181	374,078	459,618	833,696
Legacies	<u>189,985</u>	-	<u>189,985</u>	<u>95,877</u>	-	<u>95,877</u>
Total public support	<u>1,984,333</u>	-	<u>1,984,333</u>	<u>1,951,271</u>	<u>459,618</u>	<u>2,410,889</u>
Other revenue						
Service program fees	-	-	-	2,000	-	2,000
Subsidies	-	-	-	150,000	-	150,000
Miscellaneous income	<u>2,250</u>	-	<u>2,250</u>	<u>18,000</u>	-	<u>18,000</u>
Total other revenue	<u>2,250</u>	-	<u>2,250</u>	<u>170,000</u>	-	<u>170,000</u>
Net assets released from restrictions	<u>227,618</u>	<u>(227,618)</u>	-	<u>1,232</u>	<u>(1,232)</u>	-
Total support and revenue	<u>2,214,201</u>	<u>(227,618)</u>	<u>1,986,583</u>	<u>2,122,503</u>	<u>458,386</u>	<u>2,580,889</u>
Expenses						
Program services						
Research	442,765	-	442,765	326,246	-	326,246
Client programs	407,704	-	407,704	408,283	-	408,283
Community programs	245,009	-	245,009	180,596	-	180,596
Professional education and training	51,438	-	51,438	36,009	-	36,009
Public education	<u>469,620</u>	-	<u>469,620</u>	<u>451,379</u>	-	<u>451,379</u>
Total program services	<u>1,616,536</u>	-	<u>1,616,536</u>	<u>1,402,513</u>	-	<u>1,402,513</u>
Supporting services						
Fundraising	368,359	-	368,359	316,840	-	316,840
Management and general	<u>110,052</u>	-	<u>110,052</u>	<u>122,456</u>	-	<u>122,456</u>
Total supporting services	<u>478,411</u>	-	<u>478,411</u>	<u>439,296</u>	-	<u>439,296</u>
Total expenses	<u>2,094,947</u>	-	<u>2,094,947</u>	<u>1,841,809</u>	-	<u>1,841,809</u>
Change in net assets	119,254	(227,618)	(108,364)	280,694	458,386	739,080
Net assets at beginning of year	<u>355,346</u>	<u>459,618</u>	<u>814,964</u>	<u>74,652</u>	<u>1,232</u>	<u>75,884</u>
Net assets at end of year	<u>\$ 474,600</u>	<u>\$ 232,000</u>	<u>\$ 706,600</u>	<u>\$ 355,346</u>	<u>\$ 459,618</u>	<u>\$ 814,964</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	\$ -	\$ 152,852	\$ 124,777	\$ 18,717	\$ 218,359	\$ 514,705	\$ 74,866	\$ 34,314	\$ 623,885	\$ -	\$ 623,885
Employee benefits	-	15,332	12,516	1,877	21,903	51,628	7,510	3,442	62,580	-	62,580
Payroll taxes	-	14,220	11,608	1,741	20,315	47,884	6,965	3,192	58,041	-	58,041
Total salaries and related expenses	-	182,404	148,901	22,335	260,577	614,217	89,341	40,948	744,506	-	744,506
Expenses											
Printing	-	8,948	974	145	14,150	24,217	18,492	1,053	43,762	-	43,762
Postage and shipping	-	2,974	480	74	9,927	13,455	7,725	487	21,667	-	21,667
Telephone	-	513	419	63	733	1,728	251	115	2,094	-	2,094
Supplies	-	4,246	1,158	174	2,027	7,605	3,151	857	11,613	20,099	31,712
Dues and memberships	-	351	287	43	502	1,183	267	119	1,569	-	1,569
Professional and other contract service fees	-	9,182	5,342	801	12,499	27,824	124,440	3,142	155,406	-	155,406
Donated public service announcements and advertising	-	-	-	-	-	-	25,460	-	25,460	-	25,460
Travel	-	10,754	20,129	233	3,506	34,622	12,735	998	48,355	111,917	160,272
Meetings	-	21,889	615	183	2,136	24,823	6,110	1,083	32,016	16,050	48,066
Occupancy	-	18,762	15,316	2,297	26,803	63,178	9,189	4,212	76,579	56,740	133,319
Furniture and equipment	-	3,853	3,145	472	5,504	12,974	1,887	865	15,726	-	15,726
Direct financial assistance	-	63,691	-	-	-	63,691	-	-	63,691	-	63,691
Awards and prizes	-	510	436	62	728	1,736	1,441	427	3,604	66,374	69,978
Miscellaneous expense	-	8,503	6,941	1,041	12,207	28,692	54,050	1,909	84,651	32,437	117,088
Depreciation and amortization	-	914	746	112	1,305	3,077	447	205	3,729	-	3,729
Restricted contributions to Society	75,000	-	-	-	-	75,000	-	-	75,000	-	75,000
NPE additional allocation Society activities	-	-	-	-	-	-	-	16,855	16,855	-	16,855
Total expenses before Chapter support of Society initiatives	75,000	337,494	204,889	28,035	352,604	998,022	354,986	73,275	1,426,283	303,617	1,729,900
Chapter support of Society initiatives	367,765	70,210	40,120	23,403	117,016	618,514	13,373	36,777	668,664	-	668,664
Total expenses	<u>\$ 442,765</u>	<u>\$ 407,704</u>	<u>\$ 245,009</u>	<u>\$ 51,438</u>	<u>\$ 469,620</u>	<u>\$ 1,616,536</u>	<u>\$ 368,359</u>	<u>\$ 110,052</u>	<u>\$ 2,094,947</u>	<u>\$ 303,617</u>	2,398,564
Less direct benefit-to-donor costs											<u>(303,617)</u>
Total expenses as reported on the statements of activities											<u>\$ 2,094,947</u>

See notes to financial statements.

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**Statement of Functional Expenses
For the Year Ended September 30, 2015**

	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	\$ -	\$ 148,092	\$ 92,934	\$ 11,589	\$ 203,307	\$ 455,922	\$ 71,706	\$ 29,529	\$ 557,157	\$ -	\$ 557,157
Employee benefits	-	19,857	12,461	1,554	27,260	61,132	9,615	3,959	74,706	-	74,706
Payroll taxes	-	13,702	8,599	1,072	18,811	42,184	6,634	2,732	51,550	-	51,550
Total salaries and related expenses	-	181,651	113,994	14,215	249,378	559,238	87,955	36,220	683,413	-	683,413
Expenses											
Printing	-	14,107	325	82	14,700	29,214	26,343	1,138	56,695	-	56,695
Postage and shipping	-	3,521	(23)	181	6,423	10,102	12,028	549	22,679	-	22,679
Telephone	-	2,291	1,438	179	3,146	7,054	1,110	457	8,621	-	8,621
Supplies	-	2,631	1,129	437	2,372	6,569	1,875	1,336	9,780	23,729	33,509
Dues and memberships	-	55	35	4	76	170	182	171	523	-	523
Professional and other contract service fees	-	14,552	4,966	605	14,875	34,998	84,056	2,657	121,711	-	121,711
Donated public service announcements and advertising	-	-	-	-	-	-	26,500	-	26,500	-	26,500
Travel	-	8,439	12,051	678	5,838	27,006	7,140	925	35,071	132,226	167,297
Meetings	-	33,274	986	92	1,616	35,968	4,760	431	41,159	26,225	67,384
Occupancy	-	19,706	12,367	1,542	27,054	60,669	9,542	3,929	74,140	43,329	117,469
Furniture and equipment	-	3,059	1,920	239	4,200	9,418	1,481	610	11,509	-	11,509
Direct financial assistance	-	66,100	-	-	-	66,100	-	-	66,100	-	66,100
Awards and prizes	-	17	11	1	24	53	410	23	486	93,121	93,607
Miscellaneous expense	-	2,641	1,707	207	3,934	8,489	44,286	527	53,302	9,947	63,249
Depreciation and amortization	-	894	561	70	1,227	2,752	433	178	3,363	-	3,363
NPE additional allocation Society initiatives	-	-	-	-	-	-	-	44,176	44,176	-	44,176
Total expenses before Chapter support of Society initiatives	-	352,938	151,467	18,532	334,863	857,800	308,101	93,327	1,259,228	328,577	1,587,805
Chapter support of Society initiatives	326,246	55,345	29,129	17,477	116,516	544,713	8,739	29,129	582,581	-	582,581
Total expenses	<u>\$ 326,246</u>	<u>\$ 408,283</u>	<u>\$ 180,596</u>	<u>\$ 36,009</u>	<u>\$ 451,379</u>	<u>\$ 1,402,513</u>	<u>\$ 316,840</u>	<u>\$ 122,456</u>	<u>\$ 1,841,809</u>	<u>\$ 328,577</u>	2,170,386
Less direct benefit-to-donor costs											<u>(328,577)</u>
Total expenses as reported on the statements of activities											<u>\$ 1,841,809</u>

See notes to financial statements.

**THE NATIONAL MULTIPLE SCLEROSIS SOCIETY
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Statements of Cash Flows

	For the Years Ended	
	September 30,	
	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ (108,364)	\$ 739,080
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	3,729	3,363
Amortization of lease credits	(2,923)	(783)
Bad debt expense	25,000	-
Changes in operating assets and liabilities		
Contributions receivable	17,896	(461,092)
Contributions receivable from home office	1,732	(1,732)
Due from other chapters	-	1,510
Prepaid expenses	2,619	(6,349)
Due to home office	-	(1,112)
Accounts payable and accrued expenses	(39,963)	(29,346)
Deferred revenue	(604)	2,791
Net cash (used in) provided by operating activities	<u>(100,878)</u>	<u>246,330</u>
Cash flows from investing activities		
Purchases of property and equipment	<u>(2,059)</u>	<u>-</u>
Net cash used in investing activities	<u>(2,059)</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(102,937)	246,330
Cash and cash equivalents at beginning of year	<u>382,446</u>	<u>136,116</u>
Cash and cash equivalents at end of year	<u>\$ 279,509</u>	<u>\$ 382,446</u>

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 Oregon Chapter (the "Chapter") raises funds in the state of Oregon. 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.

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.

**THE NATIONAL MULTIPLE SCLEROSIS SOCIETY
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Notes to Financial Statements

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

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, unless otherwise encumbered.

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.

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 years 2016 and 2015, respectively. 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 and 2015, the Chapter had contributions receivable from two donors representing 45% and 78%, respectively, of total contributions receivable.

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.

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 years ended September 30, 2016 and 2015.

**THE NATIONAL MULTIPLE SCLEROSIS SOCIETY
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Notes to Financial Statements

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

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 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. Unconditional bequests (donations received under the 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 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.

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.

	For the Years Ended	
	September 30,	
	<u>2016</u>	<u>2015</u>
Donated goods	\$ 87,762	\$ 107,038
Donated services	<u>16,008</u>	<u>-</u>
Total	<u>\$ 103,770</u>	<u>\$ 107,038</u>

Public service announcements and donated advertising received in fiscal years 2016 and 2015 totaled approximately \$25,460 and \$26,500, respectively, and are reflected above as donated goods and fundraising expenses on the accompanying statements of activities.

In addition, a number of volunteers have donated significant amounts of their time to the Chapter's program services and supporting services. No amounts have been reflected in the accompanying financial statements for those donated services because they do not meet the criteria for revenue recognition in accordance with U.S. GAAP.

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Notes to Financial Statements

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

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 years ended September 30, 2016 and 2015, the Chapter's NPE was calculated to be \$685,519 and \$626,757, respectively. These amounts are reflected as Chapter support of Society initiatives on the accompanying statements of functional expenses. As the Society implements a single audit in fiscal year 2017 (Note 8), NPE will no longer be calculated after September 30, 2016.

In addition to the allocated amount of NPE for fiscal year 2016, the Chapter made an additional investment in the Society's research initiatives in the amount of \$75,000. This amount is reflected in the research expense total on the accompanying statements of activities.

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, 2015, the Chapter was granted a subsidy of \$150,000 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 \$25,475 and \$26,500 in fiscal years 2016 and 2015, respectively, consisting of \$25,460 and \$26,500 in donated advertising and public service announcements.

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Notes to Financial Statements

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

Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation.

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:

	<u>September 30,</u>	
	<u>2016</u>	<u>2015</u>
Due in less than one year	\$ 513,213	\$ 339,491
Due in one to five years	<u>-</u>	<u>223,000</u>
	513,213	562,491
Less present value discount	<u>-</u>	<u>(6,382)</u>
	<u>\$ 513,213</u>	<u>\$ 556,109</u>

**THE NATIONAL MULTIPLE SCLEROSIS SOCIETY
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Notes to Financial Statements

Note 4 - Property and Equipment

Property and equipment consist of the following:

	<u>September 30,</u>	
	<u>2016</u>	<u>2015</u>
Equipment	\$ 39,128	\$ 37,069
Leasehold improvements	<u>8,701</u>	<u>8,701</u>
	47,829	45,770
Less accumulated depreciation	<u>(39,262)</u>	<u>(35,533)</u>
Property and equipment, net	<u>\$ 8,567</u>	<u>\$ 10,237</u>

Note 5 - Commitments and Contingencies

Operating Lease

The Chapter recognizes rent expense based on the straight lining of the minimum lease payments over the respective terms of the leases and has recorded a deferred rent liability of \$15,771 and \$18,694 at September 30, 2016 and 2015, respectively.

Office rent expense for the years ended September 30, 2016 and 2015 was \$73,694 and \$72,306, respectively.

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

<u>Year Ending September 30,</u>	
2017	\$ 77,502
2018	79,968
2019	<u>27,371</u>
Total	<u>\$ 184,841</u>

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Note 6 - 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 2015 was \$11,490, while the retirement expense for fiscal year 2016 was incurred by the Society rather than the Chapter.

Note 7 - 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 fulfillment of specific obligations. Temporarily restricted net assets are restricted for the following purposes:

	<u>September 30,</u>	
	<u>2016</u>	<u>2015</u>
Time	\$ 232,000	\$ 459,618

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Note 7 - Temporarily Restricted Net Assets (continued)

Temporarily restricted net assets were released from restrictions as follows:

	For the Years Ended September 30,	
	2016	2015
Program		
Stepping stones	\$ -	\$ 1,232
Time	227,618	-
Total	\$ 227,618	\$ 1,232

Note 8 - 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 that 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	\$ 279,509
Contributions receivable	\$ 513,213
Prepaid expenses	\$ 13,229
Security deposits	\$ 6,843
Property and equipment, net	\$ 8,567
Accounts payable and accrued expenses	\$ (96,803)
Deferred revenue	\$ (2,187)
Deferred rent liability	\$ (15,771)
Inherent contribution received	\$ 706,600

The excess fair value of assets received over liabilities assumed is reported as a contribution received in the acquisition of the Chapter on the statements of activities and changes in net assets of the realigned Society entity in fiscal year 2017.

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Notes to Financial Statements

Note 9 - 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 8.