

National Multiple Sclerosis Society

Western Pennsylvania Chapter

Financial Statements and
Supplementary Information

Years Ended September 30, 2013 and 2012 with
Independent Auditor's Report

NATIONAL MULTIPLE SCLEROSIS SOCIETY DRAFT

WESTERN PENNSYLVANIA CHAPTER

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

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Independent Auditor's Report

Board of Trustees
National Multiple Sclerosis Society
Western Pennsylvania Chapter

We have audited the accompanying financial statements of the National Multiple Sclerosis Society, Western Pennsylvania Chapter (Chapter), which comprise the statements of financial position as of September 30, 2013 and 2012, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, 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.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 17 through 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Pittsburgh, Pennsylvania
DATE

NATIONAL MULTIPLE SCLEROSIS SOCIETY
WESTERN PENNSYLVANIA CHAPTER
STATEMENTS OF FINANCIAL POSITION
 SEPTEMBER 30, 2013 AND 2012

Assets	2013	2012	Liabilities and Net Assets	2013	2012
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 439,476	\$ 476,394	Due to Home Office:		
Investments - at market plus accrued interest	267,009	266,334	Remittance due to Home Office	\$ 25,000	\$ 25,000
Contributions receivable	72,413	-	Other payables due to Home Office	2,583	11,760
Contributions receivable from Home Office	2,200	-	Due to other chapters	-	-
Prepaid expenses and other assets	28,251	41,002	Accounts payable and accrued expenses	166,443	171,467
Interest in Home Office's pooled investments (if current)	-	-	Deferred revenue	17,510	29,741
Total current assets	809,349	783,730	Total current liabilities	211,536	237,968
Noncurrent assets:			Long-term liabilities:		
Contributions receivable - long-term	11,576	12,935	Due to Home Office	-	-
Long-term investments	599,088	616,035	Other long-term liabilities	-	247,388
Furniture, fixtures, and equipment, at cost, net of accumulated depreciation and amortization	42,552	52,826	Total long-term liabilities	-	247,388
Equipment loan program	-	-	Total Liabilities	211,536	485,356
Charitable lead trust	355,391	386,087	Net Assets:		
Interest in Home Office's pooled investments (if noncurrent)	-	-	Unrestricted	651,941	364,135
Due from Home Office (Charitable remainder trusts)	-	-	Temporarily restricted	954,479	1,002,122
Total noncurrent assets	1,008,607	1,067,883	Permanently restricted	-	-
Total Assets	\$ 1,817,956	\$ 1,851,613	Total Net Assets	1,606,420	1,366,257
			Total Liabilities and Net Assets	\$ 1,817,956	\$ 1,851,613

See accompanying notes to financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY
WESTERN PENNSYLVANIA CHAPTER

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2013
(With Comparative Totals for Year Ended September 30, 2012)

	2013			2012 Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
Revenues:					
Public support:					
Received directly:					
Special events (includes in-kind donations of \$140,990)	\$ 3,310,250	\$ -	\$ -	\$ 3,310,250	\$ 3,050,845
Less benefit to donor costs	417,197	-	-	417,197	431,026
	<u>2,893,053</u>	<u>-</u>	<u>-</u>	<u>2,893,053</u>	<u>2,619,819</u>
Contributions (includes in-kind donations of \$0 and donated services of \$0)	300,255	-	-	300,255	320,618
Legacies	17,254	19,304	-	36,558	58,939
Received at Home Office (other than legacies)	-	-	-	-	62,527
Total received directly	<u>3,210,562</u>	<u>19,304</u>	<u>-</u>	<u>3,229,866</u>	<u>3,061,903</u>
Received indirectly:					
Federated Fund Raising Organizations	32,004	-	-	32,004	-
Total received indirectly	<u>32,004</u>	<u>-</u>	<u>-</u>	<u>32,004</u>	<u>-</u>
Total public support	<u>3,242,566</u>	<u>19,304</u>	<u>-</u>	<u>3,261,870</u>	<u>3,061,903</u>
Grants from governmental agencies	-	-	-	-	-
Other revenues:					
Investment income (loss)	144	45,053	-	45,197	93,369
Service program fees	-	-	-	-	-
Miscellaneous income	2,432	-	-	2,432	-
Total other revenues	<u>2,576</u>	<u>45,053</u>	<u>-</u>	<u>47,629</u>	<u>93,369</u>
Net assets released from restrictions	112,000	(112,000)	-	-	-
Total revenues	<u>3,357,142</u>	<u>(47,643)</u>	<u>-</u>	<u>3,309,499</u>	<u>3,155,272</u>
Expenses:					
Program services:					
Research	656,047	-	-	656,047	605,147
Society activities	495,822	-	-	495,822	455,830
Client programs	811,084	-	-	811,084	996,903
Community programs	323,324	-	-	323,324	409,210
Professional education and training	49,220	-	-	49,220	74,990
Public education	170,583	-	-	170,583	182,788
Total program services	<u>2,506,080</u>	<u>-</u>	<u>-</u>	<u>2,506,080</u>	<u>2,724,868</u>
Supporting services:					
Fundraising	464,829	-	-	464,829	340,842
Management and general	98,427	-	-	98,427	103,463
Total supporting services	<u>563,256</u>	<u>-</u>	<u>-</u>	<u>563,256</u>	<u>444,305</u>
Total expenses	<u>3,069,336</u>	<u>-</u>	<u>-</u>	<u>3,069,336</u>	<u>3,169,173</u>
Change in Net Assets	<u>287,806</u>	<u>(47,643)</u>	<u>-</u>	<u>240,163</u>	<u>(13,901)</u>
Net Assets:					
Beginning of year	364,135	1,002,122	-	1,366,257	1,380,158
End of year	<u>\$ 651,941</u>	<u>\$ 954,479</u>	<u>\$ -</u>	<u>\$ 1,606,420</u>	<u>\$ 1,366,257</u>

See accompanying notes to financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY
WESTERN PENNSYLVANIA CHAPTER

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2012

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues:				
Public support:				
Received directly:				
Special events (includes in-kind donations of \$76,871)	\$ 3,050,845	\$ -	\$ -	\$ 3,050,845
Less benefit to donor costs	431,026	-	-	431,026
	<u>2,619,819</u>	<u>-</u>	<u>-</u>	<u>2,619,819</u>
Contributions (includes in-kind donations of \$0 and donated services of \$0)	320,618	-	-	320,618
Legacies	38,173	20,766	-	58,939
Received at Home Office (other than legacies)	62,527	-	-	62,527
Total received directly	<u>3,041,137</u>	<u>20,766</u>	<u>-</u>	<u>3,061,903</u>
Received indirectly:				
Federated Fund Raising Organizations	-	-	-	-
Total received indirectly	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public support	<u>3,041,137</u>	<u>20,766</u>	<u>-</u>	<u>3,061,903</u>
Grants from governmental agencies	-	-	-	-
Other revenues:				
Investment income (loss)	(1,073)	94,442	-	93,369
Service program fees	-	-	-	-
Miscellaneous income	-	-	-	-
Total other revenues	<u>(1,073)</u>	<u>94,442</u>	<u>-</u>	<u>93,369</u>
Net assets released from restrictions	<u>140,000</u>	<u>(140,000)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>3,180,064</u>	<u>(24,792)</u>	<u>-</u>	<u>3,155,272</u>
Expenses:				
Program services:				
Research	605,147	-	-	605,147
Society activities	455,830	-	-	455,830
Client programs	996,903	-	-	996,903
Community programs	409,210	-	-	409,210
Professional education and training	74,990	-	-	74,990
Public education	182,788	-	-	182,788
Total program services	<u>2,724,868</u>	<u>-</u>	<u>-</u>	<u>2,724,868</u>
Supporting services:				
Fundraising	340,842	-	-	340,842
Management and general	103,463	-	-	103,463
Total supporting services	<u>444,305</u>	<u>-</u>	<u>-</u>	<u>444,305</u>
Total expenses	<u>3,169,173</u>	<u>-</u>	<u>-</u>	<u>3,169,173</u>
Change in Net Assets	<u>10,891</u>	<u>(24,792)</u>	<u>-</u>	<u>(13,901)</u>
Net Assets:				
Beginning of year	353,244	1,026,914	-	1,380,158
End of year	<u>\$ 364,135</u>	<u>\$ 1,002,122</u>	<u>\$ -</u>	<u>\$ 1,366,257</u>

See accompanying notes to financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY
WESTERN PENNSYLVANIA CHAPTER
STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013	2012
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 240,163	\$ (13,901)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	13,587	20,971
Loss on disposal of fixed assets	-	2,319
Realized gain or loss on investments	19,051	21,519
Unrealized gain or loss on investments	(45,134)	(93,302)
Amortization of discount on charitable lead trust	(19,304)	(20,766)
Changes in operating assets and liabilities:		
Receivables	(73,254)	31,439
Prepaid expenses and other assets	12,751	(6,520)
Charitable lead trust	50,000	50,000
Accounts payable and accrued expenses	(5,024)	67,515
Deferred income	(12,231)	(10,809)
Due to Home Office	(9,177)	(82,438)
Due to other chapters	-	-
Other liabilities	(247,388)	(55,688)
Total adjustments	(316,123)	(75,760)
Net cash provided by (used in) operating activities	(75,960)	(89,661)
<u>Cash Flows From Investing Activities:</u>		
Purchase of furniture, fixtures, and equipment	(3,313)	(38,954)
Purchase of investments	(564,469)	(346,708)
Proceeds from sale of investments	606,824	494,533
Net cash provided by (used in) investing activities	39,042	108,871
<u>Cash Flows From Financing Activities:</u>		
Proceeds from long-term debt	-	-
Payments on long-term debt	-	-
Permanently restricted contributions	-	-
Net cash provided by (used in) financing activities	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	(36,918)	19,210
<u>Cash and Cash Equivalents:</u>		
Beginning of year	476,394	457,184
End of year	\$ 439,476	\$ 476,394

See accompanying notes to financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY
WESTERN PENNSYLVANIA CHAPTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2013

	Program Services						Supporting Services			Total Programs and Support	Benefit to Donor Costs	Total
	Research	Society Activities	Client Programs	Community Programs	Professional Education and Training	Public Education	Total	Fundraising	Management and General			
Salaries	\$ -	\$ -	\$ 228,269	\$ 161,131	\$ 26,855	\$ 87,280	\$ 503,535	\$ 114,135	\$ 53,710	\$ 671,380	\$ -	\$ 671,380
Employee benefits	-	-	68,253	48,179	8,030	26,097	150,559	34,127	16,060	200,746	-	200,746
Payroll taxes	-	-	31,290	22,087	3,681	11,963	69,021	15,644	7,363	92,028	-	92,028
Total salaries and related expenses	-	-	327,812	231,397	38,566	125,340	723,115	163,906	77,133	964,154	-	964,154
Printing	-	-	3,295	695	79	5,664	9,733	17,482	157	27,372	-	27,372
Postage and shipping	-	-	11,907	1,992	333	5,584	19,816	28,962	654	49,432	-	49,432
Telephone	-	-	9,543	2,385	397	1,292	13,617	4,169	795	18,581	-	18,581
Supplies	-	-	6,580	2,854	476	1,546	11,456	2,101	951	14,508	49,895	64,403
Dues and memberships	-	-	1,033	472	79	256	1,840	834	157	2,831	-	2,831
Professional and other contract service fees	-	-	54,520	7,587	1,265	4,110	67,482	77,333	2,529	147,344	-	147,344
Donated PSAs and advertising	-	-	-	-	-	-	-	83,500	-	83,500	-	83,500
Travel	-	-	7,424	4,106	322	1,644	13,496	15,018	643	29,157	191,833	220,990
Meetings	-	-	20,569	9,274	610	2,093	32,546	3,900	1,220	37,666	4,525	42,191
Occupancy	-	-	36,124	25,499	4,250	13,812	79,685	18,062	8,500	106,247	63,968	170,215
Furniture and equipment	-	-	13,502	9,530	1,588	5,162	29,782	6,751	3,177	39,710	-	39,710
Insurance (property and casualty)	-	-	-	-	-	-	-	-	-	-	-	-
Funding of other organizations that support individuals with MS	-	-	-	20,000	-	-	20,000	-	-	20,000	-	20,000
Direct financial assistance	-	-	307,944	-	-	-	307,944	-	-	307,944	-	307,944
Prizes and promotional items	-	-	-	-	-	-	-	1,317	-	1,317	68,914	70,231
Miscellaneous expense	-	-	6,211	4,272	712	2,314	13,509	39,184	1,424	54,117	38,062	92,179
Depreciation and amortization	-	-	4,620	3,261	543	1,766	10,190	2,310	1,087	13,587	-	13,587
Restricted contributions to Society research investment	25,000	-	-	-	-	-	25,000	-	-	25,000	-	25,000
Chapter support of Society research investment	631,047	-	-	-	-	-	631,047	-	-	631,047	-	631,047
Total expenses before chapter support of Society activities	656,047	-	811,084	323,324	49,220	170,583	2,010,258	464,829	98,427	2,573,514	417,197	2,990,711
Chapter support of Society activities	-	495,822	-	-	-	-	495,822	-	-	495,822	-	495,822
Total expenses	\$ 656,047	\$ 495,822	\$ 811,084	\$ 323,324	\$ 49,220	\$ 170,583	\$ 2,506,080	\$ 464,829	\$ 98,427	\$ 3,069,336	\$ 417,197	3,486,533
Less direct benefit to donor costs												(417,197)
Total expenses as reported on the statements of activities												<u>\$ 3,069,336</u>

See accompanying notes to financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY
WESTERN PENNSYLVANIA CHAPTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2012

	Program Services						Supporting Services			Total Programs and Support	Benefit to Donor Costs	Total
	Research	Society Activities	Client Programs	Community Programs	Professional Education and Training	Public Education	Total	Fundraising	Management and General			
Salaries	\$ -	\$ -	\$ 311,127	\$ 201,812	\$ 42,044	\$ 100,906	\$ 655,889	\$ 126,132	\$ 58,862	\$ 840,883	\$ -	\$ 840,883
Employee benefits	-	-	86,793	56,298	11,729	28,149	182,969	35,187	16,420	234,576	-	234,576
Payroll taxes	-	-	23,480	15,230	3,173	7,615	49,498	9,519	4,442	63,459	-	63,459
Total salaries and related expenses	-	-	421,400	273,340	56,946	136,670	888,356	170,838	79,724	1,138,918	-	1,138,918
Printing	-	-	8,884	1,025	189	4,732	14,830	27,687	265	42,782	-	42,782
Postage and shipping	-	-	6,822	1,876	451	1,931	11,080	20,969	547	32,596	-	32,596
Telephone	-	-	14,499	4,639	966	2,319	22,423	6,106	1,353	29,882	-	29,882
Supplies	-	-	8,995	3,974	828	1,987	15,784	2,854	1,159	19,797	143,979	163,776
Dues and memberships	-	-	1,190	868	161	386	2,605	3,059	225	5,889	-	5,889
Professional and other contract service fees	-	-	92,662	12,079	2,517	6,040	113,298	32,412	3,523	149,233	-	149,233
Donated PSAs and advertising	-	-	-	-	-	-	-	-	-	-	-	-
Travel	-	-	11,345	5,511	1,082	1,600	19,538	14,184	923	34,645	150,832	185,477
Meetings	-	-	20,718	6,461	1,549	2,405	31,133	3,846	1,324	36,303	1,875	38,178
Occupancy	-	-	39,028	25,315	5,274	12,658	82,275	15,822	7,384	105,481	28,172	133,653
Furniture and equipment	-	-	16,351	10,606	2,210	5,303	34,470	6,629	3,094	44,193	-	44,193
Insurance (property and casualty)	-	-	5,860	3,801	792	1,900	12,353	2,376	1,109	15,838	-	15,838
Funding of other organizations that support individuals with MS	-	-	-	50,000	-	-	50,000	-	-	50,000	-	50,000
Direct financial assistance	-	-	334,001	-	-	-	334,001	-	-	334,001	-	334,001
Prizes and promotional items	-	-	139	90	19	45	293	1,323	26	1,642	72,811	74,453
Miscellaneous expense	-	-	7,250	4,592	957	2,296	15,095	29,591	1,339	46,025	33,357	79,382
Depreciation and amortization	-	-	7,759	5,033	1,049	2,516	16,357	3,146	1,468	20,971	-	20,971
Restricted contributions to Society research investment	25,000	-	-	-	-	-	25,000	-	-	25,000	-	25,000
Chapter support of Society research investment	580,147	-	-	-	-	-	580,147	-	-	580,147	-	580,147
Total expenses before chapter support of Society activities	605,147	-	996,903	409,210	74,990	182,788	2,269,038	340,842	103,463	2,713,343	431,026	3,144,369
Chapter support of Society activities	-	455,830	-	-	-	-	455,830	-	-	455,830	-	455,830
Total expenses	\$ 605,147	\$ 455,830	\$ 996,903	\$ 409,210	\$ 74,990	\$ 182,788	\$ 2,724,868	\$ 340,842	\$ 103,463	\$ 3,169,173	\$ 431,026	3,600,199
Less direct benefit to donor costs												(431,026)
Total expenses as reported on the statements of activities												\$ 3,169,173

See accompanying notes to financial statements.

NATIONAL MULTIPLE SCLEROSIS SOCIETY DRAFT

WESTERN PENNSYLVANIA CHAPTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

The National Multiple Sclerosis Society, Western Pennsylvania Chapter (the Chapter) is a not-for-profit voluntary health agency which raises funds in the State of Pennsylvania to provide and connect people with multiple sclerosis to services and resources, support multiple sclerosis research, and educate the public about the impact of multiple sclerosis. Services include, but are not necessarily limited to, supporting education, centers providing medical, recreational and other therapy and care for those living with multiple sclerosis, counseling and support, advocacy for local and national change, and information and resources through in-person and online programs.

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 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 had no permanently restricted net assets at September 30, 2013 or 2012.

When both restricted and unrestricted resources are available for use, it is the Chapter's policy to use restricted resources first, then unrestricted resources as they are needed

NATIONAL MULTIPLE SCLEROSIS SOCIETY DRAFT

WESTERN PENNSYLVANIA CHAPTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

Revenue Recognition and Deferred Revenue

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. The Chapter recognizes income from legacies and bequests when an unassailable right to the gift has been established by the court and proceeds are measurable in amount. 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. 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.

All revenue received in advance for special events that are held subsequent to year-end is deferred.

Expense Allocations

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

Concentration of Credit Risk

Deposits at the Chapter's financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Chapter has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and equivalents. The Chapter had no uninsured cash and equivalent balances at September 30, 2013 and 2012.

Cash and Cash Equivalents

The Chapter considers highly liquid investments with maturities of three months or less when purchased to be cash equivalents. At September 30, 2013 and 2012, the Chapter's cash was held by three banks.

NATIONAL MULTIPLE SCLEROSIS SOCIETY DRAFT

WESTERN PENNSYLVANIA CHAPTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

Investments

The Chapter's investments in equity and debt securities are stated at their quoted market prices, with the net changes in unrealized gains or losses included in the statements of activities. Donated securities are recorded at their fair value on the date of the gift.

Contributions and Other Receivables

Contributions and other receivables consist of accruals of public support received after the year-end that pertained to fundraising events held during fiscal years 2013 and 2012. Receivables are recorded at net realizable value, net of an allowance for uncollectible amounts. The Chapter believes that the pledges receivable are fully collectible. There are no identifiable concentrations of credit risk related to these receivables.

Property and Equipment

Property and equipment are recorded at cost. Donated property and equipment are recorded at the fair market value at the date of donation. 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. It is the Chapter's policy to capitalize individual fixed assets with an original cost of \$500 or more and an expected useful life longer than one year.

Fixed assets are depreciated over the following useful lives:

Furniture, fixtures, and equipment	5-10 years
Office equipment	3-5 years
Leasehold improvements	Term of the original lease

Donated Goods and Services

Donated goods and services, including public service announcements, 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.

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YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Donated goods	\$ 140,990	\$ 67,226
Donated services	-	-
Total	<u>\$ 140,990</u>	<u>\$ 67,226</u>

Donated public service announcements received in fiscal years 2013 and 2012 totaled approximately \$84,000 and \$0, respectively, and are reflected above as donated goods and as fundraising expense in 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 established by ASC Section 958-605 (formerly Statement of Financial Accounting Standards (SFAS) No. 116, "*Contributions Received and Contributions Made*").

Other Long-Term Liabilities

The Chapter recognized a reduction in long-term liabilities due to the termination of severance benefits upon the death of a long-term employee.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurement

The Chapter follows the provisions of ASC Section 820-10 (formerly known as SFAS No. 157, "*Fair Value Measurements*") for its financial instruments. This statement defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. Observable inputs are inputs that market participants would use in pricing the

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YEARS ENDED SEPTEMBER 30, 2013 AND 2012

asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs. Refer to Notes 2 and 7 for detailed information on how this statement impacts the Chapter.

Research and National Activities Expense

The National Multiple Sclerosis Society (Home Office) 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. Each chapter's National Program Expense will be calculated using the average of the previous two years' audited results as the revenue base. The remittance percentage is subject to adjustment each year to ensure that the Home Office meets its programmatic goals and that all donor restrictions are honored. The Chapter's National Program Expense for fiscal years 2013 and 2012 was calculated to be \$ 1,126,869 and \$1,035,977, respectively. By setting the each chapter's National Program Expense in advance, the chapters and Home Office are in a better position to control resources through their respective budgeting and planning processes.

The Chapter participates in Home Office's direct marketing program. In fiscal year 2012, unrestricted public support received under the program by Home Office that was attributable to Chapter sources was credited to and recorded by the Chapter at 50% of the net revenue from the program. These amounts were recorded as contributions received at Home Office in the accompanying statements of activities.

In order to drive Society initiatives, the Direct Marketing Program revenue distribution has been revised for fiscal year 2013. The Chapter no longer records the net revenue from the program as contributions received from Home Office, but rather received credit towards its National Program Expense for 50% of the actual fiscal year 2011 audited Direct Marketing revenue.

The Chapter does not have any multi-year contributions that are restricted for research and other Home Office initiatives.

Reclassifications

Certain reclassifications have been made to the fiscal year 2012 balances to conform to the fiscal year 2013 presentation.

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YEARS ENDED SEPTEMBER 30, 2013 AND 2012

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was \$100,460 and \$19,354 for the years ended September 30, 2013 and 2012, respectively, consisting of \$83,500 and \$0 in donated advertising and public service announcements.

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 the Commonwealth of Pennsylvania and City of Pittsburgh income tax.

Management analyzed the tax positions taken by the Chapter and concluded that, as of September 30, 2013 and 2012, there were no uncertain tax positions taken or are expected to be taken. Accordingly, no interest or penalties related to uncertain tax positions have been accrued in the accompanying financial statements.

The Chapter is subject to audits by taxing jurisdictions; however, no audit for any tax period is currently in progress. Management believes that the Chapter is no longer subject to such audits for years ended on or prior to September 30, 2009 under federal and state tax jurisdictions.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

2. INVESTMENTS

A summary of the Chapter's investments at September 30 is as follows:

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YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Certificates of deposit	\$ 608	\$ 608	\$ 1,764	\$ 1,764
Fixed income funds	470,840	481,414	510,967	524,181
Corporate bonds	123,290	126,257	54,586	56,402
Bond index fund	54,800	56,934	62,594	61,686
Stock index fund	164,394	199,365	222,120	238,336
Other investments	794	1,519	-	-
Total	<u>\$ 814,726</u>	<u>\$ 866,097</u>	<u>\$ 852,031</u>	<u>\$ 882,369</u>

Investment Income

A summary of the Chapter's investment income (loss) at September 30 is as follows:

	2013	2012
Interest income	\$ 19,114	\$ 21,586
Realized gains (losses)	(19,051)	(21,519)
Unrealized gains (losses)	45,134	93,302
Total investment income (loss)	<u>\$ 45,197</u>	<u>\$ 93,369</u>

Risks and Uncertainties

Financial instruments potentially expose the Chapter to various risks such as concentrations of credit risk, interest rate risk, and market risks. Concentration of credit risk for investments in marketable securities is mitigated by the overall diversification of managed investment portfolios. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in values of investments will occur in the near-term and that such change could materially affect the amount reported on the statements of financial position.

Fair Value Measurements

The Chapter's investments use level 1 inputs to estimate market value. Level 1 inputs are defined as quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

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3. PROPERTY AND EQUIPMENT

At September 30, property and equipment consist of the following:

	2013	2012
Furniture, fixtures, and equipment	\$ 5,119	\$ 5,119
Equipment loan program	30,252	30,252
Office equipment	23,705	20,392
Telephone equipment	21,549	21,549
Leasehold improvements	10,777	10,777
	<u>91,402</u>	<u>88,089</u>
Less: accumulated depreciation and amortization	48,850	35,263
Total	<u>\$ 42,552</u>	<u>\$ 52,826</u>

4. LEASES

Rental expense of the Chapter's office space and equipment for the years ended September 30, 2013 and 2012 was \$143,688 and \$146,792, respectively. Lease agreements having an original term of more than one year expire on various dates through fiscal year 2014. The future minimum annual rental commitments under noncancelable lease agreements at September 30, 2013 are \$51,645.

5. PENSION PLAN

The Chapter maintains a noncontributory defined contribution retirement plan (plan) covering all eligible employees of the Chapter. Employees are fully vested at the end of five years. Contributions for the years ended September 30, 2013 and 2012 were 5% of gross annual salary. Pension expense related to this plan for the years ended September 30, 2013 and 2012 was \$40,285 and \$41,385, respectively.

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2013 and 2012 consist of the following amounts:

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- \$355,391 and \$386,087, respectively, represent the balance of the Pellicci trust as disclosed in Note 7 below.
- \$599,088 and \$616,035, respectively, represent the value of the Nadine trust. During fiscal year 2008, the Chapter received a transfer of certain assets from the Western New York/Northwest Pennsylvania Chapter as a result of the absorption of the Erie, Warren, and McKean Counties (effective October 1, 2006). Those assets include a legacy left by Nadine Fried. The Chapter agrees to use the legacy in accordance with the gift restrictions imposed by the donor. Those gift restrictions indicate the funds are to be used for the needs of patients affected by multiple sclerosis in Erie, Warren, and McKean Counties. As such, a portion of these funds has been used to offset any operating shortfalls experienced since the date of absorption for services provided to Erie, Warren, and McKean Counties.

7. CHARITABLE LEAD TRUST

During fiscal year 2007, the Chapter became a recipient of the Pellicci irrevocable charitable trust. The provisions of the trust agreement stipulate that \$50,000 is to be paid annually to the Chapter over fifteen years. The value of the trust was calculated using a present value of the expected cash flow from the trust, using a discount rate of 5% and number of future payments. The trust is recorded as a charitable lead trust on the statements of financial position.

In accordance with ASC Section 820-10, assets classified within level 3 have significant unobservable inputs, as they trade infrequently or not at all. As observable prices are not available for the trust, the Chapter uses the income approach as described above to value the trust. As such, the charitable lead trust is valued using level 3 inputs.

The following table summarizes the changes in fair values associated with these level 3 assets:

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YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Balance as of October 1	\$ 386,087	\$ 415,321
Payment	(50,000)	(50,000)
Amortization of discount	19,304	20,766
Balance as of September 30	<u>\$ 355,391</u>	<u>\$ 386,087</u>

8. CONTRIBUTIONS RESTRICTED FOR LOCAL USE

During the fiscal years ended September 30, 2013 and 2012, the Chapter received contributions of \$406,119 and \$339,565, respectively, which were restricted by the donors to be used solely for local Chapter services and sponsorship for special events.

9. CHARITABLE GIFT ANNUITIES

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

Effective fiscal year 2012, the Chapter Relations Committee (CRC) of the Board of Directors of the Home Office 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, during fiscal year 2012, to the chapters of the portion of contributions previously credited to Home Office as of that date. Home Office 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, 2013 and September 30, 2012 were \$11,576 and \$12,935, respectively.

Supplementary Information

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SCHEDULE OF INCOME FROM SPECIAL EVENTS

YEAR ENDED SEPTEMBER 30, 2013

	Sponsorship		Other Restricted Income	Total Sponsorship and Other Restricted Income	Campaign Income	Total	Benefit to Donor Costs	Other Event Costs	Total Costs
	Cash	In-kind							
Walk MS	\$ 167,104	\$ 66,000	\$ 5,660	\$ 238,764	\$ 818,683	\$ 1,057,447	\$ 89,577	\$ 94,442	\$ 184,019
Bike MS	97,400	31,190	-	128,590	1,368,359	1,496,949	166,239	58,166	224,405
One Day Bike	11,250	2,400	-	13,650	84,976	98,626	12,556	4,006	16,562
MuckFest MS	-	-	-	-	103,875	103,875	799	61,180	61,979
Women on the MOVE	23,900	1,400	-	25,300	27,139	52,439	13,619	781	14,400
Other special events:									
Golf tournaments	37,069	8,200	-	45,269	125,542	170,811	87,240	2,273	89,513
Bar Challenge	-	-	-	-	119,016	119,016	6,496	3,138	9,634
Galas and Auctions	550	2,700	-	3,250	15,410	18,660	9,960	932	10,892
Run to Stop MS	-	-	-	-	35,624	35,624	5,127	972	6,099
Monster Stomp	1,000	-	-	1,000	29,775	30,775	14	484	498
Miles 4 Smiles	-	-	-	-	10,099	10,099	2,135	152	2,287
Lobsterfest	7,000	27,000	-	34,000	52,280	86,280	12,607	27,900	40,507
MSQuerade	13,350	2,100	-	15,450	9,155	24,605	7,975	583	8,558
Wine Tour for a Cure	-	-	-	-	5,044	5,044	2,853	209	3,062
Total Other Special Events	58,969	40,000	-	98,969	401,945	500,914	134,407	36,643	171,050
Total	<u>\$ 358,623</u>	<u>\$ 140,990</u>	<u>\$ 5,660</u>	<u>\$ 505,273</u>	<u>\$ 2,804,977</u>	<u>\$ 3,310,250</u>	<u>\$ 417,197</u>	<u>\$ 255,218</u>	<u>\$ 672,415</u>

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SCHEDULE OF CONTRIBUTIONS

YEAR ENDED SEPTEMBER 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Amount of in-kind included
<u>Individual Contributions:</u>					
General gifts	\$ 107,248	\$ -	\$ -	\$ 107,248	\$ -
Tributes and memorials	39,302	-	-	39,302	-
Workplace giving	12,682	-	-	12,682	-
Total individual contributions	<u>159,232</u>	<u>-</u>	<u>-</u>	<u>159,232</u>	<u>-</u>
<u>Corporate Contributions:</u>					
Corporate gifts	49,696	-	-	49,696	-
Matching gifts	-	-	-	-	-
Tributes and memorials	-	-	-	-	-
Total corporate contributions	<u>49,696</u>	<u>-</u>	<u>-</u>	<u>49,696</u>	<u>-</u>
<u>Foundation Gifts and Grants</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Other Campaign Income:</u>					
Community (third-party) event income	53,304	-	-	53,304	-
Other campaign income	38,023	-	-	38,023	-
Total other campaign income	<u>91,327</u>	<u>-</u>	<u>-</u>	<u>91,327</u>	<u>-</u>
Total memberships and contributions	<u>\$ 300,255</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,255</u>	<u>\$ -</u>

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SCHEDULE OF AMOUNT DUE TO HOME OFFICE

YEAR ENDED SEPTEMBER 30, 2013

Remittance:

Total fiscal year 2013 Home Office program expense per annual remittance invoice	\$ 1,126,869
Add:	
Research honor roll contributed from Chapter reserves	25,000
Research honor roll contributed from special gifts	-
Restricted to Home Office other than research received at the Chapter	-
Total Home Office program expense	<u>1,151,869</u>
Chapter payments:	
October 2012 through September 2013	1,151,869
Less:	
Payments for fiscal year 2012 (including honor roll of \$25,000)	(25,000)
Payments for fiscal year 2011 and prior years	-
Total paid for fiscal year 2013	<u>1,126,869</u>
Credits:	
Miscellaneous credits	-
Total credits	<u>-</u>
Total payments, credits, and adjustments	<u>1,126,869</u>
Balance due Home Office for fiscal year 2013	25,000
Remittance indebtedness:	
Remittance balance due Home Office as of September 30, 2012	25,000
Less:	
Payments for fiscal year 2012 in current year	(25,000)
Payments for fiscal year 2011 and prior years during current year	-
Other reduction to past debt by Home Office	-
Adjusted balance due Home Office for prior years	<u>-</u>
Total remittance balance due Home Office at September 30, 2013	<u>\$ 25,000</u>
Current	<u>\$ 25,000</u>
Long-term	<u>\$ -</u>
Other payables to Home Office:	
Campaign supplies	\$ 14
Loans and advances	-
Health insurance	1,524
Liability insurance	-
IRC - literature and postage	-

(Continued)

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SCHEDULE OF AMOUNT DUE TO HOME OFFICE

YEAR ENDED SEPTEMBER 30, 2013

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Scholarships	-
Other:	
IT fees for services	-
Convio fees	524
Bike subscription	521
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Total other payables to Home Office	\$ 2,583
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In addition - amounts payable to/from other chapters:	
None	\$ -
	<hr/> <hr/>

(Concluded)