

**NATIONAL MULTIPLE SCLEROSIS SOCIETY,
MARYLAND CHAPTER
FINANCIAL STATEMENTS
September 30, 2015 and 2014**

**NATIONAL MULTIPLE SCLEROSIS SOCIETY, MARYLAND CHAPTER
FINANCIAL STATEMENTS
September 30, 2015 and 2014**

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
National Multiple Sclerosis Society, Maryland Chapter

Report on the Financial Statements

We have audited the accompanying financial statements of National Multiple Sclerosis Society, Maryland Chapter (Chapter), which comprise the Statements of Financial Position as of September 30, 2015 and 2014 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 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 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 the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITORS' REPORT, CONTINUED

We believe 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 National Multiple Sclerosis Society, Maryland Chapter as of September 30, 2015 and 2014, and the change 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.

Ellin & Tucker, Chartered

ELLIN & TUCKER, CHARTERED
Certified Public Accountants

Baltimore, Maryland
December 21, 2015

**NATIONAL MULTIPLE SCLEROSIS SOCIETY, MARYLAND CHAPTER
STATEMENTS OF FINANCIAL POSITION
September 30, 2015 and 2014**

ASSETS

	2015	2014
<u>CURRENT ASSETS:</u>		
Cash and Cash Equivalents	\$180,680	\$336,559
Contributions Receivable (Note 2)	43,544	15,474
Contributions Receivable from Home Office	75	1,769
Due from Other Chapters	19,963	-
Donated Vehicle Inventory	5,022	7,183
Prepaid Expenses and Other Current Assets	147,162	8,960
Total Current Assets	396,446	369,945
<u>NON-CURRENT ASSETS:</u>		
Contributions Receivable (Note 2)	-	150
Rent Deposit	6,114	6,114
Property and Equipment, Net (Note 3)	8,772	15,833
Due from Home Office - Gift Annuity (Notes 8 and 10)	77,811	89,605
Total Non-Current Assets	92,697	111,702
Total Assets	\$489,143	\$481,647

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
<u>Due to Home Office (Note 5):</u>		
Remittance Due to Home Office	\$ -	\$ -
Other Payables to Home Office	2,266	1,726
Due to Other Chapters	48,317	27,271
Accounts Payable and Accrued Expenses	93,458	102,841
Deferred Revenue (Note 6)	280,500	198,363
Deferred Rent	1,693	13,325
Total Current Liabilities	426,234	343,526
<u>LONG-TERM LIABILITIES:</u>		
Deferred Rent	-	9,437
Total Liabilities	426,234	352,963
COMMITMENTS (Note 7)		
<u>NET ASSETS (Notes 8 and 9):</u>		
Unrestricted	(260,892)	(235,765)
Temporarily Restricted	323,801	126,449
Permanently Restricted	-	238,000
Total Net Assets	62,909	128,684
Total Liabilities and Net Assets	\$489,143	\$481,647

(See Independent Auditors' Report and Accompanying Notes)

NATIONAL MULTIPLE SCLEROSIS SOCIETY, MARYLAND CHAPTER
STATEMENTS OF ACTIVITIES
For the Years Ended September 30, 2015 and 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT:								
<u>Public Support Received Directly:</u>								
Special Events (Includes In-kind Contributions of \$198,525 and \$272,521 in 2015 and 2014, Respectively)	\$ 2,078,941	\$ -	\$ -	\$2,078,941	\$ 2,220,044	\$ -	\$ -	\$ 2,220,044
Less: Benefit to Donor Costs	(339,580)	-	-	(339,580)	(441,180)	-	-	(441,180)
	<u>1,739,361</u>	<u>-</u>	<u>-</u>	<u>1,739,361</u>	<u>1,778,864</u>	<u>-</u>	<u>-</u>	<u>1,778,864</u>
Contributions	307,835	15,076	-	322,911	268,528	26,452	-	294,980
Legacies Received by Chapter	<u>4,683</u>	<u>-</u>	<u>-</u>	<u>4,683</u>	<u>30,219</u>	<u>-</u>	<u>-</u>	<u>30,219</u>
Total Public Support	<u>2,051,879</u>	<u>15,076</u>	<u>-</u>	<u>2,066,955</u>	<u>2,077,611</u>	<u>26,452</u>	<u>-</u>	<u>2,104,063</u>
Grant from Governmental Agency (Note 6)	<u>237,335</u>	<u>-</u>	<u>-</u>	<u>237,335</u>	<u>307,645</u>	<u>-</u>	<u>-</u>	<u>307,645</u>
<u>Other Revenue:</u>								
Investment Income	399	-	-	399	396	-	-	396
Service Program Fees	20,525	-	-	20,525	14,410	-	-	14,410
Miscellaneous Income	<u>15,501</u>	<u>-</u>	<u>-</u>	<u>15,501</u>	<u>7,118</u>	<u>-</u>	<u>-</u>	<u>7,118</u>
Total Other Revenue	<u>36,425</u>	<u>-</u>	<u>-</u>	<u>36,425</u>	<u>21,924</u>	<u>-</u>	<u>-</u>	<u>21,924</u>
Net Assets Released from Restrictions (Note 8)	<u>55,724</u>	<u>182,276</u>	<u>(238,000)</u>	<u>-</u>	<u>140,417</u>	<u>(140,417)</u>	<u>-</u>	<u>-</u>
Total Revenue, Gains and Other Support	<u>2,381,363</u>	<u>197,352</u>	<u>(238,000)</u>	<u>2,340,715</u>	<u>2,547,597</u>	<u>(113,965)</u>	<u>-</u>	<u>2,433,632</u>

(See Independent Auditors' Report and Accompanying Notes)

**NATIONAL MULTIPLE SCLEROSIS SOCIETY, MARYLAND CHAPTER
STATEMENTS OF ACTIVITIES, CONTINUED
For the Years Ended September 30, 2015 and 2014**

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
EXPENSES:								
<u>Program Services:</u>								
Research	487,847	-	-	487,847	472,952	-	-	472,952
Society Activities (Note 5)	-	-	-	-	342,483	-	-	342,483
Client Programs	533,822	-	-	533,822	515,306	-	-	515,306
Community Programs	184,500	-	-	184,500	228,786	-	-	228,786
Professional Education and Training	211,628	-	-	211,628	96,665	-	-	96,665
Public Education	234,002	-	-	234,002	238,642	-	-	238,642
Total Program Services	<u>1,651,799</u>	<u>-</u>	<u>-</u>	<u>1,651,799</u>	<u>1,894,834</u>	<u>-</u>	<u>-</u>	<u>1,894,834</u>
<u>Supporting Services:</u>								
Fundraising	500,758	-	-	500,758	474,041	-	-	474,041
Management and General	253,933	-	-	253,933	127,368	-	-	127,368
Total Supporting Services	<u>754,691</u>	<u>-</u>	<u>-</u>	<u>754,691</u>	<u>601,409</u>	<u>-</u>	<u>-</u>	<u>601,409</u>
Total Expenses	<u>2,406,490</u>	<u>-</u>	<u>-</u>	<u>2,406,490</u>	<u>2,496,243</u>	<u>-</u>	<u>-</u>	<u>2,496,243</u>
Change in Net Assets	(25,127)	197,352	(238,000)	(65,775)	51,354	(113,965)	-	(62,611)
NET ASSETS, BEGINNING OF YEAR	<u>(235,765)</u>	<u>126,449</u>	<u>238,000</u>	<u>128,684</u>	<u>(287,119)</u>	<u>240,414</u>	<u>238,000</u>	<u>191,295</u>
NET ASSETS, END OF YEAR	<u>\$ (260,892)</u>	<u>\$ 323,801</u>	<u>\$ -</u>	<u>\$ 62,909</u>	<u>\$ (235,765)</u>	<u>\$ 126,449</u>	<u>\$ 238,000</u>	<u>\$ 128,684</u>

(See Independent Auditors' Report and Accompanying Notes)

NATIONAL MULTIPLE SCLEROSIS SOCIETY, MARYLAND CHAPTER
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2015
(With Comparative Total for the Year Ended September 30, 2014)

	2015													2014 Total Expenses
	Program Services							Supporting Services			Total Program and Supporting Services	Benefit to Donor Costs	Total Expenses	
	Research	Society Activities	Client Programs	Community Programs	Professional Education and Training	Public Education	Total Program Services	Fund- raising	Management and General	Total Supporting Services				
Salaries	\$ -	\$ -	\$ 92,320	\$ 64,874	\$ 128,500	\$ 34,308	\$ 320,002	\$ 159,065	\$ 144,719	\$ 303,784	\$ 623,786	\$ -	\$ 623,786	\$ 637,182
Payroll Taxes	-	-	7,025	4,937	9,779	2,611	24,352	12,104	11,012	23,116	47,468	-	47,468	52,026
Employee Benefits	-	-	8,174	5,744	11,378	3,038	28,334	14,084	12,815	26,899	55,233	-	55,233	69,626
Total Salaries and Related Expenses	-	-	107,519	75,555	149,657	39,957	372,688	185,253	168,546	353,799	726,487	-	726,487	758,834
Printing	-	-	4,948	1,077	466	6,227	12,718	13,727	526	14,253	26,971	-	26,971	36,372
Postage and Shipping	-	-	2,522	1,422	203	3,347	7,494	8,329	260	8,589	16,083	-	16,083	15,462
Telephone	-	-	1,031	724	1,434	383	3,572	1,776	1,616	3,392	6,964	-	6,964	7,788
Office Supplies	-	-	1,668	199	394	105	2,366	1,414	488	1,902	4,268	28,626	32,894	23,160
Dues and Memberships	-	-	763	537	1,063	283	2,646	1,839	1,198	3,037	5,683	-	5,683	2,361
Professional and Other Contract Service Fees	-	-	5,078	18,147	4,175	1,963	29,363	172,657	4,701	177,358	206,721	-	206,721	308,665
Travel	-	-	4,376	5,348	2,464	658	12,846	12,473	2,848	15,321	28,167	181,198	209,365	214,670
Meetings	-	-	58,466	2,728	2,156	576	63,926	5,470	3,369	8,839	72,765	17,765	90,530	69,102
Occupancy	-	-	12,132	8,525	16,887	4,509	42,053	20,904	19,019	39,923	81,976	58,372	140,348	205,950
Equipment Rental	-	-	2,385	1,676	3,319	887	8,267	4,109	3,738	7,847	16,114	-	16,114	17,189
Funding of MS Clinics	-	-	-	22,500	-	-	22,500	-	-	-	22,500	-	22,500	20,000
Direct Financial Assistance	-	-	245,933	-	-	-	245,933	-	-	-	245,933	-	245,933	290,532
Awards and Prizes	-	-	972	8	15	4	999	19	393	412	1,411	41,960	43,371	53,667
Miscellaneous	-	-	2,079	1,660	1,604	430	5,773	57,671	1,807	59,478	65,251	11,659	76,910	78,007
Depreciation	-	-	1,190	836	1,656	442	4,124	2,050	1,867	3,917	8,041	-	8,041	20,229
Restricted Contributions to National for Research and Other Activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chapter Support of Society Research Investment	-	-	-	-	-	-	-	-	-	-	-	-	-	472,952
Total Expenses Before Chapter Support of Society Activities	-	-	451,062	140,942	185,493	59,771	837,268	487,691	210,376	698,067	1,535,335	339,580	1,874,915	2,594,940
Chapter Support of Society Activities	487,847	-	82,760	43,558	26,135	174,231	814,531	13,067	43,557	56,624	871,155	-	871,155	342,483
Total Expenses	\$ 487,847	\$ -	\$ 533,822	\$ 184,500	\$ 211,628	\$ 234,002	\$ 1,651,799	\$ 500,758	\$ 253,933	\$ 754,691	\$ 2,406,490	\$ 339,580	2,746,070	2,937,423
Less: Direct Benefit to Donor Costs													339,580	441,180
Total Expenses as Reported on the Statements of Activities													\$ 2,406,490	\$ 2,496,243

(See Independent Auditors' Report and Accompanying Notes)

**NATIONAL MULTIPLE SCLEROSIS SOCIETY, MARYLAND CHAPTER
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2014**

	Program Services						Supporting Services			Total Program and Supporting Services	Benefit to Donor Costs	Total Expenses	
	Research	Society Activities	Client Programs	Community Programs	Professional Education and Training	Public Education	Total Program Services	Fund-raising	Management and General				Total Supporting Services
Salaries	\$ -	\$ -	\$ 130,622	\$ 115,330	\$ 67,541	\$ 101,949	\$ 415,442	\$ 144,640	\$ 77,100	\$ 221,740	\$ 637,182	\$ -	\$ 637,182
Payroll Taxes	-	-	10,665	9,417	5,515	8,324	33,921	11,810	6,295	18,105	52,026	-	52,026
Employee Benefits	-	-	14,273	12,602	7,380	11,140	45,395	15,805	8,426	24,231	69,626	-	69,626
Total Salaries and Related Expenses	-	-	155,560	137,349	80,436	121,413	494,758	172,255	91,821	264,076	758,834	-	758,834
Printing	-	-	1,765	1,049	240	8,702	11,756	21,463	275	21,738	33,494	2,878	36,372
Postage and Shipping	-	-	1,906	1,147	103	4,214	7,370	7,976	116	8,092	15,462	-	15,462
Telephone	-	-	2,308	1,259	729	1,100	5,396	1,561	831	2,392	7,788	-	7,788
Office Supplies	-	-	583	316	185	279	1,363	1,971	208	2,179	3,542	19,618	23,160
Dues and Memberships	-	-	235	207	121	183	746	1,217	398	1,615	2,361	-	2,361
Professional and Other Contract Service Fees	-	-	1,299	35,868	185	80,613	117,965	173,803	16,897	190,700	308,665	-	308,665
Travel	-	-	3,727	2,619	548	827	7,721	11,167	645	11,812	19,533	195,137	214,670
Meetings	-	-	30,310	4,981	273	412	35,976	2,195	371	2,566	38,542	30,560	69,102
Occupancy	-	-	16,789	14,824	8,681	13,104	53,398	18,591	9,911	28,502	81,900	124,050	205,950
Equipment Rental	-	-	3,524	3,111	1,822	2,750	11,207	3,902	2,080	5,982	17,189	-	17,189
Funding of MS Clinics	-	-	-	20,000	-	-	20,000	-	-	-	20,000	-	20,000
Direct Financial Assistance	-	-	290,532	-	-	-	290,532	-	-	-	290,532	-	290,532
Awards and Prizes	-	-	303	24	14	21	362	30	16	46	408	53,259	53,667
Miscellaneous	-	-	2,318	2,371	1,184	1,787	7,660	53,318	1,351	54,669	62,329	15,678	78,007
Depreciation	-	-	4,147	3,661	2,144	3,237	13,189	4,592	2,448	7,040	20,229	-	20,229
Restricted Contributions to National for Research and Other Activities	-	-	-	-	-	-	-	-	-	-	-	-	-
Chapter Support of Society Research Investment	472,952	-	-	-	-	-	472,952	-	-	-	472,952	-	472,952
Total Expenses Before Chapter Support of Society Activities	472,952	-	515,306	228,786	96,665	238,642	1,552,351	474,041	127,368	601,409	2,153,760	441,180	2,594,940
Chapter Support of Society Activities	-	342,483	-	-	-	-	342,483	-	-	-	342,483	-	342,483
Total Expenses	\$ 472,952	\$ 342,483	\$ 515,306	\$ 228,786	\$ 96,665	\$ 238,642	\$ 1,894,834	\$ 474,041	\$ 127,368	\$ 601,409	\$ 2,496,243	\$ 441,180	2,937,423
Less: Direct Benefit to Donor Costs													441,180
Total Expenses as Reported on the Statements of Activities													\$ 2,496,243

(See Independent Auditors' Report and Accompanying Notes)

NATIONAL MULTIPLE SCLEROSIS SOCIETY, MARYLAND CHAPTER
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ (65,775)	\$ (62,611)
<u>Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities:</u>		
Depreciation	8,041	20,229
Loss on Disposal of Property and Equipment	1,500	-
<u>Net Changes in:</u>		
Contributions Receivable	(27,920)	9,952
Contributions Receivable from Home Office	1,694	1,880
Due from Other Chapters	(19,963)	-
Donated Vehicle Inventory	2,161	4,409
Prepaid Expenses and Other Current Assets	(138,202)	4,055
Due from Home Office - Gift Annuity	11,794	140,417
Due to Home Office	21,586	(447)
Accounts Payable and Accrued Expenses	(9,383)	(81,957)
Deferred Revenue	82,137	(20,264)
Deferred Rent	(21,069)	(8,434)
	<u>(153,399)</u>	<u>7,229</u>
Net Cash (Used in) Provided by Operating Activities	(153,399)	7,229
<u>INVESTING ACTIVITIES:</u>		
Purchase of Property and Equipment	(2,480)	-
	<u>(2,480)</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	(155,879)	7,229
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>336,559</u>	<u>329,330</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 180,680</u>	<u>\$ 336,559</u>

(See Independent Auditors' Report and Accompanying Notes)

**NATIONAL MULTIPLE SCLEROSIS SOCIETY, MARYLAND CHAPTER
NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The National Multiple Sclerosis Society (National) is a not-for-profit voluntary health and welfare agency that helps each person address the challenges of living with multiple sclerosis through a 50-state network of chapters. The National Multiple Sclerosis Society, Maryland Chapter (Chapter) raises funds in the state of Maryland (excluding Montgomery, Prince George's, Charles, Calvert and St. Mary's counties) to fund cutting-edge research, drive change through advocacy, facilitate professional education, and provide programs and services that help people with multiple sclerosis and their families move their lives forward. See Note 11 for a discussion of the realignment with the National Capital Chapter as of October 1, 2015.

Accounting Standards Codification

All references in the financial statements to the Codification refer to the Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (GAAP) issued by the Financial Accounting Standards Board. The Codification is the single source of authoritative GAAP in the United States.

Basis of Presentation

The Chapter's financial statements are prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and certain reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Change in Estimate

During the year ended September 30, 2015, National modified its approach for determining the estimated functional allocation of Chapter Support of Society initiatives based on a recent analysis of the current activities. As a result, the amount of Chapter Support of Society initiatives is allocated among all of the functional categories in the accompanying Statements of Functional Expenses, including a 6.5% allocation to supporting services for the year ended September 30, 2015. For the year ended September 30, 2014, 100% of the initiatives were allocated to program services.

(See Independent Auditors' Report)

**NATIONAL MULTIPLE SCLEROSIS SOCIETY, MARYLAND CHAPTER
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

Revenue Recognition and Deferred Revenue

Contributions are recognized as revenue when recorded 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. The Chapter recognizes income from legacies and bequests when an unassailable right to the gift has been established by the court and the proceeds are measurable. 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 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.

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.

Subsequent Events

The Chapter has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through December 21, 2015, the date the financial statements were available to be issued.

Cash and Cash Equivalents

The Chapter maintains its cash in money market funds and bank deposit accounts which may exceed federally insured limits. The Chapter believes its cash and cash equivalents are not exposed to any significant credit risk.

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

Property, Equipment and Depreciation

Property and equipment are stated at cost or, if donated, at the fair value at the date of receipt. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets. It is the Chapter's policy to capitalize property and equipment over \$500. Lesser amounts are expensed.

(See Independent Auditors' Report)

**NATIONAL MULTIPLE SCLEROSIS SOCIETY, MARYLAND CHAPTER
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

Donated Vehicle Inventory

The Chapter regularly receives donated vehicles, which are held for sale at auction or sold for scrap. The Chapter uses historical data from prior sales to establish an average value per vehicle.

Income Taxes

The Chapter qualifies as a charitable organization as defined by Internal Revenue Code (Code) Section 501(c)(3) and, accordingly, is exempt from income tax under Section 501(a) of the Code. In addition, the Internal Revenue Service has determined the Chapter is not a private foundation within the meaning of Section 509(a) of the Code. Since the Chapter is publicly supported, contributions made to the Chapter qualify for the maximum charitable contribution deduction under the Code.

The Chapter follows the provisions of Accounting for Uncertainty in Income Taxes under the Income Taxes Topic of the Codification. The Codification requires the evaluation of tax positions, which include maintaining its tax-exempt status and the taxability of any unrelated business income, and does not allow recognition of tax positions which do not meet a “more-likely-than-not” threshold of being sustained by the applicable tax authority. Management does not believe it has taken any tax positions that would not meet this threshold. Accordingly, no interest or penalties related to uncertain tax positions have been accrued in the accompanying financial statements.

Expense Allocation

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

Allocation of Joint Costs

The Chapter incurred joint costs of \$199,756 for the year ended September 30, 2014 for information materials and activities that included fundraising appeals. The Chapter did not incur joint costs during the year ended September 30, 2015.

These joint costs were allocated as follows for the year ended September 30, 2014:

Fundraising	\$120,433
Program	<u>79,323</u>
Total Costs	<u><u>\$199,756</u></u>

(See Independent Auditors' Report)

**NATIONAL MULTIPLE SCLEROSIS SOCIETY, MARYLAND CHAPTER
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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.

Donated public service announcements during the years ended September 30, 2015 and 2014 totaled \$48,511 and \$119,476, respectively, and are reflected as program services and fundraising expense in the accompanying Statements of Activities.

The Chapter's success in conducting its mission is highly dependent on attracting committed volunteers to serve in various capacities. For the years ended September 30, 2015 and 2014, a substantial number of volunteers have donated approximately 13,000 and 13,500 hours, respectively, to serving on the Chapter Board of Directors, assisting in Chapter program services, volunteering at Chapter fundraising events, assisting in the office and serving on various committees of the Chapter. No amounts have been reflected in the accompanying financial statements for contributed time since the services do not require specialized skills.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was \$92,325 and \$200,650 during the years ended September 30, 2015 and 2014, respectively, consisting of \$48,511 and \$119,476, respectively, in donated public service announcements.

2. CONTRIBUTIONS RECEIVABLE

The Chapter has contributions receivable from donors which support the Chapter's programs. Contributions receivable at September 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Unrestricted Contributions Receivable	\$ 43,119	\$ 14,999
Contributions Receivable for Promise 2010	2,000	2,000
Contributions Receivable Temporarily Restricted for Research	425	625
Less: Allowance for Uncollectible Contributions	<u>2,000</u>	<u>2,000</u>
Contributions Receivable, Net	<u>\$ 43,544</u>	<u>\$ 15,624</u>
Current Portion	\$ 43,544	\$ 15,474
Long-Term Portion	<u>-</u>	<u>150</u>
	<u>\$ 43,544</u>	<u>\$ 15,624</u>

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**NATIONAL MULTIPLE SCLEROSIS SOCIETY, MARYLAND CHAPTER
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

3. PROPERTY AND EQUIPMENT

At September 30, 2015 and 2014, property and equipment are comprised of the following:

	2015	2014
Furniture and Equipment	\$ 103,396	\$ 112,043
Less: Accumulated Depreciation	94,624	96,210
Total	\$ 8,772	\$ 15,833

4. RETIREMENT PLANS

The Chapter participates in National's noncontributory defined contribution retirement plan (Plan) which covers substantially all of the Chapter's employees, based on defined eligibility. Temporary employees and independent contractors are not eligible. Employees are not permitted to make any pre- or after-tax contributions to the Plan. Employees become eligible on the first day of the first month after beginning employment, and all covered employees receive a contribution on September 30 each year. Employees are fully vested after five years of service. The contribution percentage for each of the years ended September 30, 2015 and 2014, as determined by National's President and Chief Executive Officer, was 3% of Chapter employees' gross salaries. In accordance with the Plan provisions, contributions are first offset by forfeitures of unvested Chapter contributions for terminated participants. During the years ended September 31, 2015 and 2014, the Chapter contributed approximately \$200 and \$4,000, respectively, to the Plan.

The Chapter also participates in a tax-deferred group annuity plan subject to Section 403(b) of the Code. Employees may contribute a percentage of their salary not to exceed the maximum permitted by law. The Chapter does not make a contribution to this plan.

5. RESEARCH AND NATIONAL ACTIVITIES EXPENSE

The Chapter calculates the National program expense, which funds research and other National activities, 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 is 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 National meets its programmatic goals, and all donor restrictions are honored. For the years ended September 30, 2015 and 2014, the Chapter's National program expense was \$871,155 and \$815,435, respectively. By setting the Chapter's National program expense in advance, the Chapter and National are in a better position to control resources through their respective budgeting and planning processes. For the years ended September 30, 2015 and 2014, the Chapter remitted \$871,155 and

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\$815,435, respectively, to National to support these programs. In addition, the Chapter remitted \$36,662 and \$30,001 during the years ended September 30, 2015 and 2014, respectively, to National for reimbursement of various expenses and services performed.

6. CONTRACT WITH GOVERNMENT AGENCY

The Chapter has a renewable annual developmental services contract with the State of Maryland which expires in June 2016. Funds received must be used in accordance with approved programs. The contract requires the Chapter to deliver certain human, social or educational services defined in the contract. There were no funds advanced which have not been earned as of September 30, 2015. Funds advanced which have not been earned totaled \$98,755 as of September 30, 2014 and are recorded as deferred revenue.

7. COMMITMENTS

The Chapter leases office space and equipment. The Chapter recognizes rent expense based on recording the total minimum lease payments due under the lease on a straight-line basis over the respective terms of the lease and has recorded a deferred rent liability of \$1,693 and \$22,762 at September 30, 2015 and 2014, respectively. Rent expense for the years ended September 30, 2015 and 2014 totaled approximately \$98,000 and \$99,000, respectively. The office lease contains a renewal option for five years. The following is a schedule of the future minimum rental payments:

Year Ending September 30, 2016	\$ 105,400
2017	66,700
2018	4,600
2019	<u>300</u>
	<u>\$ 177,000</u>

8. NET ASSETS

Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. In order to better secure the mission and purpose of the Chapter, in January 2003, the Board of Trustees adopted a policy to designate expendable net assets as a working capital reserve to provide an appropriate level of liquidity and working capital for operating purposes. There were no expendable net assets available to designate for this purpose at September 30, 2015 and 2014.

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NOTES TO FINANCIAL STATEMENTS, CONTINUED**

Temporarily restricted net assets result from contributions which use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Chapter pursuant to the stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or for specific purposes.

At September 30, 2015 and 2014, the Chapter's temporarily restricted net assets consisted of funds available for the following purposes:

	<u>2015</u>	<u>2014</u>
Charitable Gift Annuity	\$ 77,811	\$ 89,605
Family Care and Respite Programs	204,000	-
Other Chapter Programs	<u>41,990</u>	<u>36,844</u>
Total	<u>\$ 323,801</u>	<u>\$ 126,449</u>

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

Permanently restricted net assets result from contributions which use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Chapter's actions. At September 30, 2014, the Chapter's permanently restricted net assets consisted of endowment fund investments, the income from which is to be used for respite care and a variety of family services.

During the year ended September 30, 2015, a donor released the restriction on permanently restricted contributions made between 1992 and 2002. As a result, permanently restricted net assets of \$238,000 were transferred to temporarily restricted net assets to comply with donor intentions. The restrictions on these net assets will be released evenly over seven years beginning in 2015 in accordance with donor instructions.

9. ENDOWMENT FUNDS

The Chapter's permanent endowment consisted of various donor-restricted funds established to provide a source of income to support certain programs. As required by GAAP, net assets associated with endowment funds were classified and reported based on the existence or absence of donor-imposed restrictions.

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**NATIONAL MULTIPLE SCLEROSIS SOCIETY, MARYLAND CHAPTER
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

Interpretation of Relevant Law

The Board of Trustees of the Chapter interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, the Chapter classified the original value of gifts donated to the permanent endowment as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund not classified in permanently restricted net assets was classified as temporarily restricted net assets until those amounts were appropriated for expenditure by the Chapter (in a manner consistent with the standard of prudence prescribed by UPMIFA). In accordance with UPMIFA, the Chapter considered the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) Duration and preservation of the endowment fund
- (2) Purposes of the Chapter and the donor-restricted endowment fund
- (3) General economic conditions
- (4) Possible effect of inflation and deflation
- (5) Expected total return from income and appreciation of investments
- (6) Other resources of the Chapter
- (7) Investment policies of the Chapter

Endowment Fund Composition by Type of Fund as of September 30, 2014

	<u>Permanently</u>
Donor-Restricted Endowment Funds	<u>\$ 238,000</u>

Changes in Endowment Funds for the Years Ended September 30, 2015 and 2014

	<u>Temporarily</u>	<u>Permanently</u>	<u>Total</u>
Endowment Funds, October 1, 2013	\$ -	\$ 238,000	\$ 238,000
Investment Income	427	-	427
Appropriation of Endowment Assets for Expenditure	(427)	-	(427)
Endowment Funds, September 30, 2014	-	238,000	238,000
Transfer of Net Assets (Note 8)	-	(238,000)	(238,000)
Endowment Funds, September 30, 2015	\$ -	\$ -	\$ -

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**NATIONAL MULTIPLE SCLEROSIS SOCIETY, MARYLAND CHAPTER
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may decrease the level the donor or UPMIFA requires the Chapter to retain as a fund of perpetual duration. There were no such deficiencies as of September 30, 2015 and 2014.

Return Objectives and Risk Parameters

The Chapter adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for operating expenses while seeking to maintain the original value of the endowment assets. Endowment assets included those assets of donor-restricted funds the Chapter must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Trustees, the endowment assets were invested in a manner intended to produce results that exceed the price and yield results of a composite index which is a weighted blend of the indices that reflects the Chapter's target asset allocation while assuming a low level of investment risk. The Chapter expected its endowment funds, over time, to provide an average rate of return to help fund certain programs. Actual returns in any given year may have varied from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objective, the Chapter relied on a total return strategy in which investment returns were achieved through current yield (interest and dividends). The Chapter targeted an asset allocation that placed a greater emphasis on cash and cash equivalents to achieve its long-term return objectives within prudent risk parameters.

Spending Policy and How the Investment Objectives Related to Spending Policy

The Chapter had a policy of allowing earnings to accumulate until appropriated by the Chapter. In establishing this policy, the Chapter considered the long-term expected return on its endowment. Accordingly, over the long term, the Chapter expected the current spending policy would allow its endowment to maintain the original value of the gifts donated to the permanent endowment. This was consistent with the objective to maintain the original value of the endowment assets in perpetuity or for a donor-specified term.

10. DUE FROM HOME OFFICE – GIFT ANNUITY

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

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The value of the Chapter's split-interest agreements was \$77,811 and \$89,605 as of September 30, 2015 and 2014, respectively. Income (loss) derived from the changes in value of these agreements was (\$11,794) and \$933 for the years ended September 30, 2015 and 2014, respectively.

11. REALIGNMENT WITH NATIONAL CAPITAL CHAPTER

On October 1, 2015, the Maryland Chapter combined with the National Capital Chapter (and changed its name to the Greater DC – Maryland Chapter). The realignment was conducted in part to unify the organization and more effectively use resources. No consideration was exchanged in the combination.

12. CONTRIBUTIONS RESTRICTED FOR LOCAL USE

During the years ended September 30, 2015 and 2014, the Chapter received contributions of \$137,307 and \$141,106, respectively, which were restricted by the donors to be used solely for local Chapter services and sponsorship for special events.

13. LEVERAGED FUNDS

The Chapter has committed to address the financial impact of multiple sclerosis on individuals and families. Enhancing the value of Chapter funds provided through the Chapter's financial assistance program by leveraging funds from other sources is one very effective way to address the financial needs of individuals with multiple sclerosis and also demonstrates the benefit of collaborations and partnerships in addressing those needs. During the years ended September 30, 2015 and 2014, the Chapter was able to leverage \$93,976 and \$42,837, respectively, on behalf of individuals with multiple sclerosis.

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