

Combined Financial Statements (UNAUDITED)

**NATIONAL MULTIPLE SCLEROSIS SOCIETY
NATIONAL HEADQUARTERS, FAST FORWARD AND CHAPTERS**

September 30, 2015 and 2014

National Multiple Sclerosis Society
National Headquarters, Fast Forward and Chapters

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**National Multiple Sclerosis Society
National Headquarters, Fast Forward, and Chapters
Combined Statements of Financial Position (UNAUDITED)
As of September 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 60,647,779	\$ 85,442,892
Contributions receivable	14,079,879	12,080,569
Deferred Rent Receivable	115,591	31,000
Prepaid expenses and other assets, net of allowance of approximately \$16,000 and \$11,000 for 2015 and 2014, respectively	4,860,142	4,359,372
Other Assets	1,937,610	2,634,456
Investments (Note #4)	74,351,814	60,420,131
Investments related to charitable gift annuities (Note#4)	3,255,962	3,279,844
Beneficial interests in trusts (Note#4)	1,395,216	1,376,178
Property and equipment, at cost, net of accumulated depreciation (Note #5)	8,008,138	7,394,215
Total assets	<u>\$ 168,652,131</u>	<u>\$ 177,018,657</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 18,857,354	\$ 20,263,904
Grants payable	50,372,928	43,695,526
Deferred revenue	9,958,175	10,040,350
Deferred rent	3,409,288	3,504,165
Due to Progressive MS Alliance	658,139	1,378,128
Liability to annuitants	1,916,382	2,057,511
Total liabilities	<u>85,172,266</u>	<u>80,939,584</u>
NET ASSETS		
Unrestricted	59,352,512	73,556,985
Temporarily Restricted	17,641,380	15,459,454
Permanently Restricted	6,485,973	7,062,634
Total net assets	<u>83,479,865</u>	<u>96,079,073</u>
Total liabilities and net assets	<u>\$ 168,652,131</u>	<u>\$ 177,018,657</u>

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

The National Multiple Sclerosis Society, Inc
National Headquarters, Fast Forward, and Chapters
Combined Statements of Activities (UNAUDITED)
for the Years Ended September 30, 2015 and 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
SUPPORT AND OTHER REVENUE					
RECEIVED DIRECTLY					
Contributions (includes donated public service announcements of approximately and \$5,976,000 and \$8,944,000 for 2015 and 2014, respectively)	\$ 53,602,259	\$ 6,920,844	\$ 39,163	\$ 60,562,266	\$ 65,305,021
Legacies & Bequests	12,911,971	2,506,795	(30,254)	15,388,512	10,096,504
Special Events (Note#3)	161,123,634	-	-	161,123,634	168,462,602
Less: Direct Donor Benefits (Note#3)	<u>(22,978,856)</u>	<u>-</u>	<u>-</u>	<u>(22,978,856)</u>	<u>(23,186,039)</u>
Total received directly	<u>204,659,008</u>	<u>9,427,639</u>	<u>8,909</u>	<u>214,095,556</u>	<u>220,678,088</u>
RECEIVED INDIRECTLY					
Allocated by Federated Fundraising Agencies	237,384	267,923	-	505,307	608,740
Government Grants	<u>313,423</u>	<u>-</u>	<u>-</u>	<u>313,423</u>	<u>421,544</u>
Total received Indirectly	<u>550,807</u>	<u>267,923</u>	<u>-</u>	<u>818,730</u>	<u>1,030,284</u>
Total support	<u>205,209,815</u>	<u>9,695,562</u>	<u>8,909</u>	<u>214,914,286</u>	<u>221,708,372</u>
OTHER REVENUE					
Investment Return Revenue	(4,201,858)	(342,423)	(14,153)	(4,558,434)	5,402,973
All Other Revenue	<u>5,196,720</u>	<u>(4,810)</u>	<u>-</u>	<u>5,191,910</u>	<u>5,177,706</u>
Total other revenue	<u>994,862</u>	<u>(347,233)</u>	<u>(14,153)</u>	<u>633,476</u>	<u>10,580,679</u>
Net assets released from restriction and reclassifications	<u>6,577,343</u>	<u>(7,166,403)</u>	<u>(571,417)</u>	<u>(1,160,477)</u>	<u>410,276</u>
Total revenue and other support	<u>\$ 212,782,020</u>	<u>\$ 2,181,926</u>	<u>\$ (576,661)</u>	<u>\$ 214,387,285</u>	<u>\$ 232,699,327</u>
EXPENSES					
PROGRAM SERVICES					
Research	56,081,336	-	-	56,081,336	50,168,640
Client & Community Services	53,505,903	-	-	53,505,903	60,629,392
Professional Education & Training	6,192,678	-	-	6,192,678	6,066,556
Public Health Education (includes donated public service announcements of approximately \$5,976,000 and \$8,944,000 for 2015 and 2014, respectively)	29,141,009	-	-	29,141,009	32,035,393
Services to Chapters	<u>25,678,490</u>	<u>-</u>	<u>-</u>	<u>25,678,490</u>	<u>23,527,962</u>
Total Program Services	<u>170,599,416</u>	<u>-</u>	<u>-</u>	<u>170,599,416</u>	<u>172,427,943</u>
SUPPORTING SERVICES					
Fund-Raising	37,385,735	-	-	37,385,735	37,770,894
Management & General	<u>19,001,342</u>	<u>-</u>	<u>-</u>	<u>19,001,342</u>	<u>19,754,976</u>
Total supporting services	<u>56,387,077</u>	<u>-</u>	<u>-</u>	<u>56,387,077</u>	<u>57,525,870</u>
Total expenses	<u>226,986,493</u>	<u>-</u>	<u>-</u>	<u>226,986,493</u>	<u>229,953,813</u>
Changes in net assets	(14,204,473)	2,181,926	(576,661)	(12,599,208)	2,745,514
Net Assets, beginning of year	<u>73,556,985</u>	<u>15,459,454</u>	<u>7,062,634</u>	<u>96,079,073</u>	<u>93,333,559</u>
Net Assets, end of year	<u>\$ 59,352,512</u>	<u>\$ 17,641,380</u>	<u>\$ 6,485,973</u>	<u>\$ 83,479,865</u>	<u>\$ 96,079,073</u>

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

National Multiple Sclerosis Society
National Headquarters, Fast Forward, and Chapters
Combined Statement of Functional Expenses (UNAUDITED)
as of September 30, 2015

	Program Activities					Support Services				Benefit to Donor Expenses	Year Ended 2015	Year Ended 2014
	Research and Research Fellowships	Client and Community Services	Professional Education and Training	Public Education	Services to Chapters	Total	Fund Raising	Management and General	Total			
Research and research fellowship grants	\$ 50,794,825	\$ -	\$ 1,628,192	\$ -	\$ -	\$ 52,423,017	\$ -	\$ -	\$ -	\$ -	\$ 52,423,017	\$ 49,391,836
Specific assistance to individuals and clinics	-	5,937,171	-	-	-	5,937,171	-	-	-	-	5,937,171	6,302,014
Salaries	2,201,236	24,974,687	2,581,260	12,586,586	9,799,235	52,143,004	11,169,451	9,054,620	20,224,071	-	72,367,075	73,047,145
Retirement and health insurance benefits for employees	401,874	3,811,833	390,335	1,824,481	1,789,018	8,217,541	1,669,311	1,500,104	3,169,415	-	11,386,956	11,325,145
Payroll taxes	152,428	2,004,347	213,061	1,012,827	678,565	4,061,228	910,295	706,919	1,617,214	-	5,678,442	5,822,550
Total salaries and related expenses	2,755,538	30,790,867	3,184,656	15,423,894	12,266,818	64,421,773	13,749,057	11,261,643	25,010,700	-	89,432,473	90,194,840
Travel	468,676	1,228,697	103,285	424,996	1,068,584	3,294,238	1,107,028	483,895	1,590,923	9,791,835	14,676,996	14,791,846
Professional fees and contract service payments	522,634	3,619,326	322,792	1,871,658	7,809,442	14,145,852	7,055,743	2,814,781	9,870,524	-	24,016,376	23,454,220
Printing and stationery	99,258	761,079	56,118	1,163,360	469,473	2,549,288	3,321,212	1,001,351	4,322,563	-	6,871,851	7,598,995
Dues, subscriptions and reprints	69,477	110,136	12,592	84,417	311,275	587,897	119,575	166,035	285,610	-	873,507	1,249,459
Office supplies	12,233	493,116	27,252	133,240	175,064	840,905	193,595	99,918	293,513	1,701,024	2,835,442	3,032,250
Rent and electricity	296,838	3,845,439	396,651	1,925,832	1,322,988	7,787,748	1,822,495	1,275,959	3,098,454	3,862,571	14,748,773	14,342,391
Insurance	127,547	273,479	14,367	114,440	567,805	1,097,638	86,548	185,881	272,429	-	1,370,067	1,487,969
Postage, trucking and express	68,929	476,203	54,623	702,785	255,491	1,558,031	1,966,762	637,256	2,604,018	-	4,162,049	5,333,118
Telephone	8,757	385,648	32,651	170,302	93,060	690,418	155,914	105,451	261,365	-	951,783	1,057,032
Conferences and meetings	145,717	1,892,525	146,728	305,456	434,276	2,924,702	451,300	242,145	693,445	527,113	4,145,260	4,801,272
Awards and Prizes	28,384	1,822,186	58,277	13,934	32,914	1,955,695	84,238	42,068	126,306	3,675,476	5,757,477	6,029,029
Donated Services & Advertising (Note #2)	502,310	66,500	-	54,325	-	623,135	2,569,229	-	2,569,229	-	3,192,364	3,451,323
Donated Public Service Announcements (Note#2)	-	-	-	5,975,651	-	5,975,651	-	-	-	-	5,975,651	8,944,000
Depreciation and amortization	157,838	678,264	58,397	310,874	702,650	1,908,023	230,788	326,396	557,184	-	2,465,207	2,471,493
Sundry equipment	-	678,442	50,957	231,399	-	960,798	221,755	130,297	352,052	-	1,312,850	1,134,675
Sundry	22,375	446,825	45,140	234,446	168,650	917,436	4,250,496	228,266	4,478,762	3,420,837	8,817,035	8,072,090
National Programs Expense	-	-	-	-	-	-	-	-	-	-	-	-
Total expenses	2,530,973	16,777,865	1,379,830	13,717,115	13,411,672	47,817,455	23,636,678	7,739,699	31,376,377	22,978,856	102,172,688	107,251,162
Total grants, expenses and direct donor costs	\$ 56,081,336	\$ 53,505,903	\$ 6,192,678	\$ 29,141,009	\$ 25,678,490	\$ 170,599,416	\$ 37,385,735	\$ 19,001,342	\$ 56,387,077	\$ 22,978,856	\$ 249,965,349	\$ 253,139,852
Less: direct donor costs	-	-	-	-	-	-	-	-	-	-	\$ (22,978,856)	\$ (23,186,039)
Total expenses excluding direct donor costs	-	-	-	-	-	-	-	-	-	-	\$ 226,986,493	\$ 229,953,813

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

**National Multiple Sclerosis Society
National Headquarters, Fast Forward, and Chapters
Notes to Combined Financial Statements (UNAUDITED)
September 30, 2015 and 2014**

NOTE 1 ORGANIZATION

National Multiple Sclerosis Society (the “Society”), a national not-for-profit health agency, mobilizes people and resources to drive research for a cure and to address the challenges of everyone affected by multiple sclerosis (“MS”). The Society is comprised of national and local (chapter) 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 grants and training programs, driving change through advocacy, collaborating with MS organizations worldwide, and connecting people affected by MS to information, resources and people to live their best lives now. To move us ever closer to a world free of MS, the Society, in fiscal 2015 alone, invested over \$56 million to support more than 360 new and ongoing research projects around the world while providing information and services to over one million people.

The Society 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 Society is publicly supported, contributions qualify for the maximum charitable contribution deduction under the IRC. Fast Forward, its consolidated not-for-profit affiliate (collectively “National Headquarters”), derives its tax exemption from the Society and is treated as a “disregarded entity” for tax purposes.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination

The accompanying consolidated financial statements consist of the accounts of National Headquarters and Fast Forward, a not-for-profit limited liability company and each of the forty-one chartered chapters. All transactions between the National Headquarters and the chapters have been eliminated.

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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; collectability 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

Unrestricted net assets - Net assets available at the discretion of management and the Board of Directors (the “Board”). These net assets may be used by National Headquarters in support of any of its program or supporting services.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of National Headquarters and/or passage of time.

Permanently restricted net assets - Net assets which contain certain donor-imposed restrictions that stipulate that such resources be maintained permanently by National Headquarters. Generally, the donors of these assets permit National Headquarters to use all or part of the income earned on related investments for general or specific purposes (See also Note 11).

Revenue Recognition

Contributions (including unconditional promises to give) are recorded at fair value when received. Contributions received with donor stipulations that limit the use of the donated assets are reported as either temporarily restricted or permanently restricted support. Unconditional promises to give, with payments due in future years, are reported as either temporarily restricted or permanently restricted support, discounted to present value using credit adjusted discount rates which articulate with the collection period of the respective pledge. Such discount rates are not subsequently revised. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the consolidated statement of activities as net assets released from restrictions.

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Legacies and bequests are recognized when an unassailable right to the gift has been established by the court and the proceeds are measurable.

Revenue generated from advertisers in the Society's Momentum Magazine is recorded on an accrual basis. Revenue from program fees and other sources is recorded at fair value when received.

Fast Forward receives contributions under separate collaboration agreements with a pharmaceutical company to fund certain Sponsored Research Agreements ("SRAs") entered into with certain organizations for the purpose of conducting specified research and development and therapeutic strategies for progressive multiple sclerosis (R&D) activities. Amounts received, which are refundable to a company if not spent for the specified activities, are recorded as support when the activities have been performed or expenditures have been incurred by the recipient organizations.

Allowance for Doubtful Accounts

National Headquarters maintains an allowance for doubtful accounts for estimated losses that may result from the inability of advertisers to make payment. Such allowances are based on several factors, including, but not limited to, historical experience and the financial condition of the advertisers. These allowances valued at approximately \$16,000 and \$11,000 for the years ended September 30, 2015 and 2014 respectively.

Expense Allocations

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

Research Grants

Research grants are recognized in accordance with defined payment schedules, and as the related conditions on which they depend are met. Research grants, which are generally for three years, are subject to revocation rights by National Headquarters and the continued qualification of grantees, among other criteria, which is evaluated annually. National Headquarters policy regarding the recognition of grants payable is to include only those amounts for which a specific grantee is identified and the respective grant has been approved by the Society's President and CEO.

Payments made under Sponsored Research Agreements ("SRAs") are recognized as an expense, as services or R&D activities are performed by the funded entities in accordance with the terms of the respective SRA. Funding commitments by Fast

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Forward, for which future payments are conditioned upon achieving certain milestones set forth in the respective SRA, are not recognized in the financial statements.

Cash and Cash Equivalents

The Society considers highly liquid investments with maturities of three months or less when purchased, other than those held in the investment portfolio, to be cash equivalents.

Investments and Investment Income

Investments in mutual funds and equity securities are reported at fair value, which is based on published unit values or quoted market prices in active markets as of the reporting date. Investments in debt securities are carried at their fair value, which are based on measurement inputs derived directly from quoted market prices or observable inputs, such as quoted market prices for similar securities, interest rates, credit risks, and other factors. Investments in certificates of deposit are carried at cost, which approximates fair value. Donated securities are recorded at their quoted fair values on the date received. Warrants received in connection with the funding of SRAs are stated at their estimated fair value. Income earned from investments, including realized and unrealized gains and losses and interest and dividends, is recorded in the net asset class owning the assets, except for permanently restricted net assets where the income is recorded as temporarily restricted and then reclassified to unrestricted upon appropriation for expenditure by the Board in accordance with National Headquarters' spending policy.

Split-Interest Agreements and Beneficial Interests in Trusts

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

Property and Equipment

Property and equipment are carried at cost, if purchased or if donated, at fair value at the date of gift, less accumulated depreciation and amortization. Depreciation is computed on the straight-line basis over the lesser of the estimated useful lives of the assets, which range from 3 to 10 years, or the terms of the lease, as appropriate. National Headquarters capitalizes assets acquired for greater than \$1,000 and with useful lives in excess of one year.

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Due to Progressive MS Alliance

During fiscal 2014, the Society became a managing member, along with Associazione Italiana Sclerosi Multipla (Italy), MS Research Australia, Multiple Sclerosis International Federation, MS Society (United Kingdom), and the Multiple Sclerosis Society of Canada, of the Progressive MS Alliance (the “Alliance”). The Alliance is open to MS organizations from around the world and is continually seeking new member organizations from the global MS community. The Alliance made a joint commitment to speed up the development of treatment for progressive MS by removing scientific and technology barriers. The Alliance formalized its purpose, structure and membership in fiscal 2014 and also agreed to its four strategic objectives which include: raise profile and accelerate progress, secure resources and globalize research funding, inspire, galvanize and engage among priority stakeholders and deliver operational excellence by aligning resources.

As a managing member, the Society committed to providing funds of approximately \$6,823,000 over the next three years which is conditional on various factors, with \$901,000 paid to the Progressive MS Alliance over two years as well as professional and scientific staff to support the Alliance. In addition, the Society maintains custody of the pooled funds contributed from other Alliance members within its region. The disbursement of funds for various progressive MS research initiatives are approved by voting Alliance members. During fiscal 2015, the Society received a total of \$2,338,000 from Alliance members which will be held until such time the funds are approved for expenditure. As of September 30, 2015 and 2014, the Society recorded unspent donated funds, consisting of both Society and other Alliance members’ monies, of approximately \$658,000 and \$1,378,000, respectively.

Donated Services and Materials

All donated Services and Materials are recorded as revenue and expense, at fair value, where reasonably determinable.

Highly qualified volunteers serving on peer review research committees have donated their time and efforts to the Society. These contributed services were valued at approximately \$502,000 and \$589,000 for the years ended September 30, 2015 and 2014, respectively, and have been recognized as support (dues and contributions from members and others) and expense in the consolidated statements of activities.

Donated public service announcements received of approximately \$5,976,000 and \$8,944,000 as of September 30, 2015 and 2014 respectively are reflected as support and program expense (public education) in the accompanying 2015 combined statement of activities.

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Other Donated advertising valued at approximately \$2,690,000 and \$3,617,000 was recorded as of September 30, 2015 and 2014.

Other volunteers have also donated significant time to the Society's program services and fundraising campaigns. These services were not reflected in the accompanying consolidated statements of activities because they do not meet the necessary criteria for recognition under GAAP.

NOTE 3 SPECIAL EVENT REVENUE

A summary of the Society's Special Event Revenue at September 30 is as follows:

Event	2015	2014	Variance
Bike MS	\$ 82,163,169	\$ 86,429,921	\$ (4,266,752)
Walk MS	52,400,864	54,201,901	(1,801,037)
Muckfest	3,225,054	2,402,381	822,673
Dinner of Champions	6,242,560	6,160,566	81,994
Other Special Events	17,091,987	19,267,833	(2,175,846)
Gross Revenue	161,123,634	168,462,602	(7,338,968)
less: Direct Donor Benefits	(22,978,856)	(23,186,039)	207,183
Net Revenue	\$ 138,144,778	\$ 145,276,563	\$ (7,131,785)

NOTE 4 INVESTMENTS

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

Category	2015	2014
Cash & cash equivalents	\$ 240,751	\$ 20,928,184
Certificates of Deposit	77,549	833,737
Equities	40,058,410	11,251,982
Mutual Funds	34,038,598	25,315,178
Fixed Income Securities	290,087	451,169
Warrants	151,708	426,625
Investments related to charitable gift annuities	3,255,962	3,279,844
Other	889,927	1,213,256
Beneficial interests in trusts	1,395,216	1,376,178
Total Investments	\$ 79,002,992	\$ 65,076,153

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NOTE 5 FIXED ASSETS

At September 30, fixed assets consist of the following:

Category	2015	2014
Furniture & Fixtures	\$ 4,183,835	\$ 5,267,994
Computer & Software	8,010,988	7,864,254
Equipment	4,386,047	2,228,614
Leasehold Improvements	<u>5,535,070</u>	<u>5,521,515</u>
	22,115,940	20,882,377
Accum Deprec.	<u>(14,107,802)</u>	<u>(13,488,162)</u>
Net Fixed Assets	<u>\$ 8,008,138</u>	<u>\$ 7,394,215</u>

NOTE 6 PENSION

The Society maintains a noncontributory defined contribution retirement plan which covers all eligible employees of the National Headquarters and participating Chapters. Chapters not participating in the Society plan have defined contribution plans as well. Total Society pension expense for the years ended September 30, 2015 and 2014 was approximately \$1,590,000 and \$1,963,000, respectively.

NOTE 7 LEASES

Approximate future minimum lease commitments and related sub-lease income under the Society's various lease arrangements are as follows:

Year ending September 30th	Lease Payments
2016	\$ 7,535,000
2017	7,053,000
2018	6,235,000
2019	5,444,000
2020	4,571,000
Thereafter	8,520,000
Less: Sublease Income	<u>(5,000)</u>
Total Future Minimum	<u>\$ 39,353,000</u>

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NOTE 8 COMMITMENTS FOR RESEARCH AND FELLOWSHIP GRANTS

The Society’s program services include funding for research and fellowship projects to be conducted in the future, generally over a three year period. Commitments for research and fellowship projects approved for funding in fiscal 2016 have been recorded as research grant expense as of September 30, 2015 and included in the accompanying statement of financial position. The outstanding commitments for research and fellowship projects beyond fiscal 2015 are scheduled for funding approximately as follows:

<u>Year Ending September 30th</u>	<u>Research and Fellowships</u>
2016	\$ 27,614,000
2017	12,040,000
2018	2,309,000
2019	765,000
Total	<u>\$ 42,728,000</u>

These projects will be funded by unrestricted net assets and support and revenue to be generated by the Society.

Commitments for research and fellowship projects are subject, among other things, to revocation rights by the Society, the continued qualifications of grantees and the satisfaction by the grantees of prior conditions before payment.

Collaboration Agreement with Merck KGaA

During fiscal 2009, Fast Forward entered into an agreement with Merck KGaA, for the purpose of collaborating on the process of soliciting, evaluating, funding, and managing multiple sclerosis research proposals, leading to an SRA between the selected company (the “Funded Entity”) and Fast Forward, with Merck KGaA as a third-party beneficiary under the SRA, as well as the execution of a third-party agreement between Merck KGaA and the Funded Entity. The agreement had an initial two-year term, which automatically renewed for three successive 12-month periods unless terminated earlier in accordance therewith.

Under the collaboration agreement, Fast Forward receives an annual management fee and any unspent amount will be credited against the management fee for the subsequent year or refunded to Merck KGaA should the collaboration terminate under the conditions set forth therein. The agreement was renewed during fiscal year 2013 with a management fee of \$700,000, which was received net of approximately \$195,000 of unspent prior year’s management fees. Approximately \$347,000 and \$109,000 was earned and expended in during 2015 and 2014, respectively. These amounts have been recorded as contributions for

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research and development, and research and research fellowships program expense in the accompanying consolidated statements of activities and functional expenses. The unspent portion of the fees, which amounted to approximately \$17,000 and \$364,000 at September 30, 2015 and 2014, respectively, is reflected in deferred revenue in the accompanying consolidated statements of financial position.

The collaboration agreement further provides the Merck KGaA, subject to certain limitations, funds the research activities established under an SRA executed with the Funded Entity. In addition, Fast Forward provides a matching amount up to 10% of Merck KGaA's funding, subject to availability of funds.

Collaboration Agreement with Other Not-for-Profit Organizations

In October 2010, Fast Forward entered into a collaboration agreement with two not-for-profit organizations, whereby the organizations agreed to fund Fast Forward's programs to aid early-stage pharmaceutical and biotechnology companies engaged in the development of innovative therapeutic and/or diagnostic strategies for multiple sclerosis, and programs to facilitate the translation of academic multiple sclerosis research discoveries into commercial development. The agreement allowed Fast Forward to choose the companies or institutions to be funded from funds provided by the organizations.

The agreement expired on December 31, 2012 in accordance with its terms, but the collaboration will continue until the project is complete or funding is fully spent. For fiscal year 2013, Fast Forward received funding of \$450,000 and expensed funding of \$325,000 and \$250,000 during fiscal years 2015 and 2014, respectively.

Sponsored Research Agreements

Fast Forward enters into SRAs with selected companies (each a Research and Development ("R&D") company) and academic institutions engaged in R&D projects aimed at identifying and developing drugs for the treatment of multiple sclerosis. Under the SRAs, Fast Forward agrees to provide funding for specified R&D activities, payable as defined milestones are achieved. Fast Forward funds SRA's from the public support it receives from donors or through the chapters and National Headquarters, and from other funding entities under collaboration agreements as discussed above. In certain SRAs, Fast Forward received warrants or options to purchase ordinary shares, preferred stock, or common stock, of the respective R&D companies. In addition, certain SRAs entitle Fast Forward to royalties upon the achievement of specified milestones. Fast Forward exercised two warrants related to SRAs in fiscal 2013 and recorded a net gain of approximately \$2,679,000, which is recorded as part of investment return on the accompanying 2013 consolidated statement of activities.

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There were no warrants received during fiscal 2015 or 2014, and none of the milestones that would require payment of royalties to Fast Forward have been achieved.

SRA Fully Funded from Public Support and Collaboration Agreement with Other Not-for-Profit Organizations

As of September 30, 2014, Fast Forward entered into twenty SRAs funded by public support and the collaboration agreement with other not-for-profit organizations. Total funds available for expenditure to the R&D companies under these SRAs totaled approximately \$2,153,000 and \$3,027,000 in fiscal 2015 and 2014, respectively. Approximately \$1,905,000 and \$2,644,000 was charged to R&D grants expense in 2015 and 2014, respectively, and approximately \$247,000 and \$384,000 was recorded as prepaid expense as of September 30, 2015 and 2014, respectively. Outstanding funding commitments under these SRAs at September 30, 2015 and 2014 totaled approximately \$1,508,000 and \$864,000, respectively, and are expected to be satisfied by fiscal 2017.

SRA Funded Under the Collaboration Agreement with Merck KGaA

As of September 30, 2014, Fast Forward entered into twelve SRAs pursuant to the terms of the collaboration agreement with Merck KGaA. Total funds available for expenditure to the R&D companies under these SRAs totaled approximately \$480,000 and \$685,000 during fiscal years 2015 and 2014, respectively. Approximately \$401,000 and \$610,000 was charged to R&D grants expense during fiscal years 2015 and 2014, respectively, and approximately \$80,000 and \$75,000 was recorded as prepaid expense as of September 30, 2015 and 2014, respectively. Outstanding funding commitments under these SRAs at September 30, 2015 and 2014 totaled approximately \$177,000 and \$692,000, respectively, and are expected to be satisfied by fiscal 2017.

NOTE 9 JOINT COSTS

In fiscal 2015 and 2014, the Society incurred joint costs for informational materials and activities that included fund-raising appeals. Such costs are allocated based on applicable accounting standards.

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The costs were allocated as follows for September 30,

Allocations	2015	2014
Public Education	\$ 787,000	\$ 1,514,000
Fundraising	5,049,000	7,653,000
Management & General	2,214,000	3,043,000
Total	<u>\$ 8,050,000</u>	<u>\$ 12,210,000</u>

NOTE 10 TAX-EXEMPT STATUS

The National Multiple Sclerosis Society and the forty-one chartered chapters qualify as charitable organizations as defined by the Internal Revenue Code Section 501 (c) (3) and, accordingly, are exempt from Federal income taxes under Internal Revenue Code Section 501 (a). Additionally, since the Society is publicly supported, contributions to the Society qualify for the maximum charitable contribution deduction under the Internal Revenue Code.

Management has analyzed the tax positions taken and has concluded that, as of September 30, 2015, 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 consolidated financial statements. National Headquarters is subject to audits by taxing jurisdictions; however, there are no audits for any tax periods currently in progress. Management believes that National Headquarters is no longer subject to such audits for the year ended on and prior to September 30, 2011 under federal and other state tax jurisdictions.