

Combined Financial Statements (UNAUDITED)

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

September 30, 2016 and 2015

**National Multiple Sclerosis Society
National Headquarters, Fast Forward and Chapters**

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	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 58,142,894	\$ 60,647,779
Contributions receivable	15,841,492	14,079,879
Deferred rent receivable	0	115,591
Prepaid expenses and other assets, net of allowance	4,521,680	4,860,142
Other Assets	1,559,124	1,937,610
Investments (Note #4)	60,575,782	74,351,814
Investments related to charitable gift annuities (Note#4)	2,702,392	3,255,962
Beneficial interests in trusts (Note#4)	1,290,006	1,395,216
Property and equipment, at cost, net of accumulated depreciation (Note #5)	7,493,151	8,008,138
Total assets	<u>\$ 152,126,521</u>	<u>\$ 168,652,131</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 13,789,605	\$ 18,857,354
Grants payable	45,255,779	50,372,928
Deferred revenue	9,570,321	9,958,175
Deferred rent	3,629,231	3,409,228
Due to Progressive MS Alliance	2,676,470	658,139
Liability to annuitants	2,093,996	1,916,382
Total liabilities	<u>77,015,402</u>	<u>85,172,266</u>
NET ASSETS		
Unrestricted	49,375,787	59,352,512
Temporarily Restricted	19,224,888	17,641,380
Permanently Restricted	6,510,444	6,485,973
Total net assets	<u>75,111,119</u>	<u>83,479,865</u>
Total liabilities and net assets	<u>\$ 152,126,521</u>	<u>\$ 168,652,131</u>

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	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
SUPPORT AND OTHER REVENUE					
RECEIVED DIRECTLY					
Contributions (includes donated public service announcements of approximately and \$12,219,000 and \$5,976,000 for 2016 and 2015, respectively)	\$ 55,165,988	\$ 7,834,146	\$ 40,437	\$ 63,040,571	\$ 60,562,266
Legacies & Bequests	8,619,720	554,999	4,526	9,179,245	15,388,512
Special Events (Note#3)	156,922,187	-	-	156,922,187	161,123,634
Less: Direct Donor Benefits (Note#3)	(23,100,378)	-	-	(23,100,378)	(22,978,856)
Total received directly	<u>197,607,517</u>	<u>8,389,145</u>	<u>44,963</u>	<u>206,041,625</u>	<u>214,095,556</u>
RECEIVED INDIRECTLY					
Allocated by Federated Fundraising Agencies	142,089	222,993	-	365,082	505,307
Government Grants	75,000	-	-	75,000	313,423
Total received Indirectly	<u>217,089</u>	<u>222,993</u>	<u>-</u>	<u>440,082</u>	<u>818,730</u>
Total support	<u>197,824,606</u>	<u>8,612,138</u>	<u>44,963</u>	<u>206,481,707</u>	<u>214,914,286</u>
OTHER REVENUE					
Investment Return Revenue	5,079,859	385,528	69,404	5,534,791	(4,558,434)
All Other Revenue	6,762,933	300	-	6,763,233	5,191,910
Total other revenue	<u>11,842,792</u>	<u>385,828</u>	<u>69,404</u>	<u>12,298,024</u>	<u>633,476</u>
Net assets released from restriction and reclassifications	<u>7,504,354</u>	<u>(7,414,458)</u>	<u>(89,896)</u>	<u>-</u>	<u>(1,160,477)</u>
Total revenue and other support	<u>\$ 217,171,752</u>	<u>\$ 1,583,508</u>	<u>\$ 24,471</u>	<u>\$ 218,779,731</u>	<u>\$ 214,387,285</u>
EXPENSES					
Research	50,949,068	-	-	50,949,068	56,081,336
Client & Community Services	47,801,635	-	-	47,801,635	53,505,903
Professional Education & Training	6,126,550	-	-	6,126,550	6,192,678
Public Health Education (includes donated public service announcements of approximately \$12,219,000 and \$5,976,000 for 2016 and 2015, respectively)	35,730,857	-	-	35,730,857	29,141,009
Services to Chapters	27,149,840	-	-	27,149,840	25,678,490
Total Program Services	<u>167,757,950</u>	<u>-</u>	<u>-</u>	<u>167,757,950</u>	<u>170,599,416</u>
SUPPORTING SERVICES					
Fund-Raising	39,127,373	-	-	39,127,373	37,385,735
Management & General	20,263,154	-	-	20,263,154	19,001,342
Total supporting services	<u>59,390,527</u>	<u>-</u>	<u>-</u>	<u>59,390,527</u>	<u>56,387,077</u>
Total expenses	<u>227,148,477</u>	<u>-</u>	<u>-</u>	<u>227,148,477</u>	<u>226,986,493</u>
Changes in net assets	(9,976,725)	1,583,508	24,471	(8,368,746)	(12,599,208)
Net Assets, beginning of year	59,352,512	17,641,380	6,485,973	83,479,865	96,079,073
Net Assets, end of year	<u>\$ 49,375,787</u>	<u>\$ 19,224,888</u>	<u>\$ 6,510,444</u>	<u>\$ 75,111,119</u>	<u>\$ 83,479,865</u>

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

check (9,976,725) 1,583,508 24,471 (8,368,746) \$ (12,599,208)

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	Program Activities						Support Services			Benefit to Donor Expenses	Year Ended 2016	Year Ended 2015
	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	\$ 44,676,350	\$ 1,978,049	\$ 1,664,818	\$ -	\$ -	\$ 48,319,217	\$ -	\$ -	\$ -	\$ -	\$ 48,319,217	\$ 52,423,017
Specific assistance to individuals and clinics	-	5,209,744	-	-	-	5,209,744	-	-	-	-	5,209,744	5,937,171
Salaries	2,855,819	22,490,698	2,525,602	12,356,929	10,878,374	51,107,422	12,753,562	10,010,551	22,764,113	-	73,871,535	72,367,075
Retirement and health insurance benefits for employees	571,817	3,580,662	380,152	1,758,768	2,693,347	8,984,746	1,785,387	1,806,944	3,592,331	-	12,577,077	11,386,956
Payroll taxes	155,668	1,784,375	198,336	946,141	721,774	3,806,294	1,008,327	743,746	1,752,073	-	5,558,367	5,678,442
Total salaries and related expenses	3,583,304	27,855,735	3,104,090	15,061,838	14,293,495	63,898,462	15,547,276	12,561,241	28,108,517	-	92,006,979	89,432,473
Travel	451,619	1,090,670	98,866	392,557	814,770	2,848,482	1,113,837	407,652	1,521,489	9,736,368	14,106,339	14,676,996
Professional fees and contract service payments	590,882	2,986,777	392,456	2,520,226	7,937,333	14,427,674	7,862,022	3,270,410	11,132,432	-	25,560,106	24,016,376
Printing and stationery	115,707	603,953	61,917	1,183,804	289,978	2,255,359	2,185,908	551,865	2,737,773	-	4,993,132	6,871,851
Dues, subscriptions and reprints	71,137	69,574	9,798	117,050	287,673	555,232	139,775	171,464	311,239	-	866,471	873,507
Office supplies	16,067	319,035	20,339	111,603	179,967	647,011	161,934	100,749	262,683	1,413,568	2,323,262	2,835,442
Rent and electricity	280,404	3,504,420	373,573	2,051,094	1,136,821	7,346,312	2,177,126	1,361,231	3,538,357	4,147,709	15,032,378	14,748,773
Insurance	116,240	227,098	20,251	93,252	546,950	1,003,791	61,441	206,393	267,834	-	1,271,625	1,370,067
Postage, trucking and express	69,252	398,814	53,057	869,000	170,920	1,561,043	1,558,648	530,177	2,088,825	-	3,649,868	4,162,049
Telephone	11,206	249,163	10,821	57,129	53,636	381,955	72,551	52,689	125,240	-	507,195	951,783
Conferences and meetings	162,140	1,781,626	89,197	296,158	326,260	2,655,381	573,736	186,075	759,811	829,823	4,245,015	4,145,260
Awards and Prizes	24,226	60,385	71,522	24,167	86,102	266,402	88,534	61,995	150,529	3,419,005	3,835,936	5,757,477
Donated Services & Advertising (Note #2)	558,923	42,000	-	-	-	600,923	2,680,320	-	2,680,320	-	3,281,243	3,192,364
Donated Public Service Announcements (Note#2)	-	-	-	12,219,441	-	12,219,441	-	-	-	-	12,219,441	5,975,651
Depreciation and amortization	174,414	667,960	64,767	302,521	706,113	1,915,775	279,374	359,814	639,188	-	2,554,963	2,465,207
Sundry equipment	-	334,596	39,567	195,066	-	569,229	239,090	120,818	359,908	-	929,137	1,312,850
Sundry	47,197	422,036	51,511	235,951	319,822	1,076,517	4,385,801	320,581	4,706,382	3,553,905	9,336,804	8,817,035
National Programs Expense	-	-	-	-	-	-	-	-	-	-	-	-
Total expenses	2,689,414	12,758,107	1,357,642	20,669,019	12,856,345	50,330,527	23,580,097	7,701,913	31,282,010	23,100,378	104,712,915	102,172,688
Total grants, expenses and direct donor costs	\$ 50,949,068	\$ 47,801,635	\$ 6,126,550	\$ 35,730,857	\$ 27,149,840	\$ 167,757,950	\$ 39,127,373	\$ 20,263,154	\$ 59,390,527	\$ 23,100,378	\$ 250,248,855	\$ 249,965,349
Less: direct donor costs											\$ (23,100,378)	\$ (22,978,856)
Total expenses excluding direct donor costs											\$ 227,148,477	\$ 226,986,493

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, 2016 and 2015**

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 2016 alone, invested over \$51 million to support more than 380 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.

Effective October 1, 2016 the Society consolidated the 36 chapters and the national headquarters into a single entity under one federal employer’s identification number. The unified entity will issue one set of audited statements and file a single IRS Form 990. This transition will better align the Society’s resources so that the organization can maximize its impact to drive research for a cure and to address the challenges of everyone affected by MS. For accounting purposes, the transition will be treated as an acquisition of 100% of the assets and liabilities of the 36 Chapters by the Society. No consideration was given in exchange for these interests.

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 36 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.

Basis of Accounting

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting in accordance with U.S. GAAP. Accordingly, all significant intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, the net assets of the Society and Fast Forward and changes therein are classified and reported as follows:

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.

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

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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 statements of activities as net assets released from restrictions.

Unconditional bequests (donations received under terms of a will) are reported as revenues when notification of the bequest is received, the amount is reasonably determinable and the probate court declares the will valid.

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 earned.

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

The Society 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 for the years ended September 30, 2016 and 2015.

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 the Society and the continued qualification of

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grantees, among other criteria, which is evaluated annually. The Society's 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 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 the Society 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.

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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. The Society capitalizes assets acquired for greater than \$1,000 and with useful lives in excess of one year.

Due to Progressive MS Alliance

The Society is 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* has 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 \$9,305,000 over the following three years which is conditional on various factors, with \$1,428,000 paid to the *Alliance* over three 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. The Society received a total of \$2,882,000 and \$2,338,000 during the years ending September 30, 2016 and 2015, respectively from *Alliance* members, which will be held until such time the funds are approved for expenditure. As of September 30, 2016 and 2015, the Society recorded unspent donated funds, consisting of both Society and other *Alliance* members’ monies, of approximately \$2,676,000 and \$658,000, respectively.

In-Kind Donated Services

The Society received donated print, radio and television public service announcements of approximately \$12,219,000 and \$5,976,000 for the years ended September 30, 2016 and 2015, respectively. Such amounts, which are based upon information provided by third-party media services, are recorded at their estimated fair value determined on the date of

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contribution and are reported as contributions from individuals and foundations and public education program expense on the accompanying consolidated statements of activities and functional expenses.

Highly qualified volunteers serving on peer review research committees have donated their time and efforts to the Society. These contributed services, which meet the recognition criteria under U.S. GAAP, approximated \$512,000 and \$502,000, respectively, for the years ended September 30, 2016 and 2015. Such amounts are recorded at their estimated fair value at the date of contribution and are reported as contributions from individuals and foundation and expenses on the accompanying consolidated statements of activities and functional expenses.

A number of volunteers, including members of the Board, have made significant contributions of their time in furtherance of the Society's program and support functions. The value of this contributed time does not meet the criteria for recognition as contributed services in accordance with U.S. GAAP and, accordingly, is not reflected in the accompanying consolidated financial statements.

Accounting for Uncertainty in Income Taxes

Guidance in the area of "Accounting for Uncertainty in Income Taxes" under the Financial Accounting Standards Board (the "FASB") Accounting Standards Codification, clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This standard provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is "more-likely-than-not" to be sustained, if the position were to be challenged by a taxing authority. The standard also provides guidance on measurement, classification, interest and penalties, and disclosure. The fiscal years ended 2013, 2014, 2015 and 2016 remain open to audit for both federal and state purposes. The Society has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and, to identify and evaluate other matters that may be considered tax positions.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, to clarify the principles for recognizing revenue and to improve financial reporting by creating common revenue recognition guidance for U.S. GAAP and International Financial Reporting Standards. The core principle of the new guidance is that an entity should recognize

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revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017. The Society has not determined the impact of ASU 2014-09 at this time.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires that most leased assets be recognized on the balance sheet as assets and liabilities for the rights and obligations created by these leases. An entity is required to apply the amendments in ASU 2016-02 under the modified retrospective transition approach. This approach includes a number of optional practice expedients. Under these practical expedients, an organization will continue to account for leases that commence before the effective date in accordance with current GAAP, unless the lease is modified. However, lessees are required to recognize on the balance sheet leased assets and liabilities for operating leases at each reporting date. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018. The Society has not determined the impact of ASU 2016-02 at this time.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*, which makes targeted changes to the not-for-profit financial reporting model. The new ASU marks the completion of the first phase of a larger project aimed at improving not-for-profit financial reporting. Under the new standard, net asset reporting will be streamlined and clarified. The existing three-category classification of net assets will be replaced with a simplified model that combines temporarily restricted and permanently restricted into a single category called “net assets with donor restrictions.” The guidance for classifying deficiencies in endowment funds and on accounting for the lapsing of restrictions on gifts to acquire property, plant, and equipment have also been simplified and clarified. New disclosures will highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements. Not-for-profits will continue to have flexibility to decide whether to report an operating subtotal and if so, to self-define what is included or excluded. However, if the operating subtotal includes internal transfers made by the governing board, transparent disclosures must be provided. The standard also imposes several new requirements related to reporting expenses, including providing information about expenses by their natural classification. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. The Society has not determined the impact of ASU 2016-14 at this time.

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NOTE 3 SPECIAL EVENT REVENUE

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

Event	2016	2015
Bike MS	\$ 77,382,285	\$ 82,163,169
Walk MS	49,123,467	52,400,864
Muckfest	3,059,460	3,225,054
Dinner of Champions	9,215,972	6,242,560
Other Special Events	18,141,003	17,091,987
Gross Revenue	156,922,187	161,123,634
less: Direct Donor Benefits	(23,100,378)	(22,978,857)
Net Revenue	\$ 133,821,809	\$ 138,144,777

NOTE 4 INVESTMENTS

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

Category	2016	2015
Cash & cash equivalents	\$ 742,328	\$ 318,300
Equities	34,322,888	40,058,410
Mutual Funds	27,880,559	34,038,598
Other	159,991	1,331,722
Investments related to charitable gift annuities	2,702,392	3,255,962
Beneficial interests in trusts	91,116	1,414,834
Total Investments	\$ 65,899,274	\$ 79,002,992

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NOTE 5 FIXED ASSETS

At September 30, fixed assets consist of the following:

Category	2016	2015
Furniture & Fixtures	\$ 4,067,944	\$ 4,183,835
Computer & Software	10,759,871	8,010,988
Equipment	2,518,915	4,386,047
Leasehold Improvements	5,456,244	5,535,070
	22,802,974	22,115,940
Accum Depreciation and Amortization	(15,309,823)	(14,107,802)
Net Fixed Assets	\$ 7,493,151	\$ 8,008,138

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, 2016 and 2015 was approximately \$2,279,000 and \$1,590,000, 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
2017	\$ 7,533,000
2018	6,628,000
2019	5,868,000
2020	5,401,000
2021	4,631,000
Thereafter	5,001,000
Less: Sublease Income	(4,621,000)
Total Future Minimum	\$ 30,441,000

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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 2017 have been recorded as research grant expense as of September 30, 2016 and included in the accompanying statement of financial position. The outstanding commitments for research and fellowship projects beyond fiscal 2016 are scheduled for funding approximately as follows:

<u>Year Ending September 30th</u>	<u>Research and Fellowships</u>
2017	\$ 22,747,000
2018	10,489,000
2019	2,915,000
2020	<u>1,221,000</u>
Total	<u>\$ 37,372,000</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

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 of which 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 expired on December 31, 2015. Approximately \$17,000

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and \$347,000 was earned and expended during 2016 and 2015, respectively. These amounts have been recorded as contributions from individuals and foundations, and research and research fellowships program expense in the accompanying consolidated statements of activities and functional expenses

The collaboration agreement further provides that 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

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, but the collaboration will continue until the project is complete or funding is fully spent. Fast Forward expensed funding of \$0 and \$325,000 during fiscal years 2016 and 2015, respectively.

Sponsored Research Agreements

Fast Forward enters into SRAs with selected companies, (each a Research and Development company) ("R&D"), 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.

There were no warrants received during fiscal 2016 or 2015, and none of the milestones that would require payment of royalties to Fast Forward were achieved.

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

As of September 30, 2016, Fast Forward entered into twenty-five SRAs funded by public support and collaboration agreements with other not-for-profit organizations. Total funds available for expenditure to the R&D companies under these SRAs totaled approximately \$1,085,000 and \$2,153,000 in fiscal 2016 and 2015, respectively. Approximately \$883,000 and \$1,905,000 was charged to R&D grants expense in 2016 and 2015, respectively, and approximately \$202,000 and \$247,000 was recorded as prepaid expense as of September 30, 2016 and 2015, respectively. Outstanding funding commitments under these SRAs at September 30, 2016 and 2015 totaled approximately \$118,000 and \$1,508,000, respectively, and are expected to be satisfied by fiscal 2017.

SRA Funded Under the Collaboration Agreement with Merck KGaA

As of September 30, 2016, Fast Forward entered into thirteen 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 \$155,000 and \$480,000 during fiscal years 2016 and 2015, respectively. Approximately \$155,000 and \$401,000 was charged to R&D grants expense during fiscal years 2016 and 2015, respectively, and approximately \$0 and \$80,000 was recorded as prepaid expense as of September 30, 2016 and 2015, respectively. Outstanding funding commitments under these SRAs at September 30, 2016 and 2015 totaled approximately \$4,000 and \$177,000, respectively, and are expected to be satisfied by fiscal 2017.

NOTE 9 JOINT COSTS

In fiscal 2016 and 2015, the Society incurred joint costs for informational materials and activities that included fund-raising appeals. Such costs are allocated based on applicable accounting standards.

The costs were allocated as follows for September 30,

Allocations	2016	2015
Public Education	\$ 702,000	\$ 787,000
Fundraising	4,865,000	5,049,000
Management & General	2,214,000	2,214,000
Total	\$ 7,781,000	\$ 8,050,000

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The Society and the 36 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.