

Multiple Sclerosis Scientific Research Foundation

Financial Statements
December 31, 2015



June 22, 2016

Independent Auditor's Report

To the Members of Multiple Sclerosis Scientific Research Foundation

We have audited the accompanying financial statements of Multiple Sclerosis Scientific Research Foundation, which comprise the balance sheet as at December 31, 2015 and the statements of revenue and expenditures, changes in net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Multiple Sclerosis Scientific Research Foundation as at December 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Multiple Sclerosis Scientific Research Foundation

Balance Sheet

As at December 31, 2015

	2015 \$	2014 \$ (restated - note 2)
Assets		
Current assets		
Cash and cash equivalents	515,820	344,394
Accounts receivable from Multiple Sclerosis Society of Canada (note 4(a))	1,810,680	2,582,579
Interest and other receivables	224,839	59,858
	<u>2,551,339</u>	<u>2,986,831</u>
Investments (note 5)	16,653,749	17,355,126
	<u>19,205,088</u>	<u>20,341,957</u>
Liabilities		
Current liabilities		
Accounts payable to Multiple Sclerosis Society of Canada (note 4(b))	3,158,908	1,296,789
Accrued liabilities	29,929	29,628
Research grants payable	5,001,270	2,868,409
	<u>8,190,107</u>	<u>4,194,826</u>
Research grants payable	2,903,303	1,224,646
	<u>11,093,410</u>	<u>5,419,472</u>
Net Assets		
Restricted for endMS Research and Training Network	3,799,588	5,303,486
Restricted for endMS Whatever-It-Takes	510,970	580,981
Unrestricted	3,801,120	9,038,018
	<u>8,111,678</u>	<u>14,922,485</u>
	<u>19,205,088</u>	<u>20,341,957</u>

Approved by the Board of Directors

_____ Director _____ Director

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

Multiple Sclerosis Scientific Research Foundation

Statement of Revenue and Expenditures

For the year ended December 31, 2015

	2015 \$	2014 \$ (restated - note 2)
Revenue		
General donations (note 4(a))	463,002	424,202
Donations for endMS Research and Training Network (note 4(a))	753,952	1,156,618
Donations for endMS Whatever-It-Takes (note 4(a))	965,333	1,580,981
Investment income	423,604	382,961
Investment income for endMS Research and Training Network	123,938	140,333
	<u>2,729,829</u>	<u>3,685,095</u>
Expenditures		
endMS Research and Training Network	2,344,480	1,975,314
endMS Whatever-It-Takes	2,735,344	1,000,000
Grants (note 4(c))	4,636,971	1,211,060
Professional fees	62,509	75,829
Investment management fees	44,472	44,332
Bank charges	16,741	19,717
Miscellaneous	-	5,995
	<u>9,840,517</u>	<u>4,332,247</u>
Deficiency of revenue over expenditures before the undernoted	(7,110,688)	(647,152)
Fair value change in investments	<u>299,881</u>	<u>1,193,228</u>
Excess (deficiency) of revenue over expenditures for the year	<u>(6,810,807)</u>	<u>546,076</u>

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

Multiple Sclerosis Scientific Research Foundation

Statement of Changes in Net Assets

For the year ended December 31, 2015

	2015			
	Restricted for endMS Research and Training Network \$	Restricted for endMS Whatever-It- Takes \$	Unrestricted \$	Total \$
Net assets - Beginning of year	5,303,486	580,981	9,038,018	14,922,485
Deficiency of revenue over expenditures for the year	(1,503,898)	(1,770,011)	(3,536,898)	(6,810,807)
Interfund transfer	-	1,700,000	(1,700,000)	-
Net assets - End of year	3,799,588	510,970	3,801,120	8,111,678
	2014			
	Restricted for endMS Research and Training Network \$	Restricted for endMS Whatever-It- Takes \$	Unrestricted \$	Total \$ (restated - note 2)
Net assets - Beginning of year	6,022,060	-	8,354,349	14,376,409
(Deficiency) excess of revenue over expenditures for the year	(718,574)	580,981	683,669	546,076
Net assets - End of year	5,303,486	580,981	9,038,018	14,922,485

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

Multiple Sclerosis Scientific Research Foundation

Statement of Cash Flows

For the year ended December 31, 2015

	2015 \$	2014 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenditures for the year	(6,810,807)	546,076
Non-cash items		
Fair value change in investments	(299,881)	(1,193,228)
	<u>(7,110,688)</u>	<u>(647,152)</u>
Changes in non-cash balances related to operations		
Accounts receivable from Multiple Sclerosis Society of Canada	771,899	(98,360)
Interest and other receivables	(164,981)	15,849
Accounts payable to Multiple Sclerosis Society of Canada	1,862,119	470,673
Accrued liabilities	301	(4,250)
Research grants payable	3,811,518	(2,171,703)
	<u>6,280,856</u>	<u>(1,787,791)</u>
	<u>(829,832)</u>	<u>(2,434,943)</u>
Investing activities		
Proceeds from sale of investments	12,888,307	9,438,324
Purchase of investments	(11,887,049)	(7,207,185)
	<u>1,001,258</u>	<u>2,231,139</u>
Increase (decrease) in cash and cash equivalents during the year	171,426	(203,804)
Cash and cash equivalents - Beginning of year	<u>344,394</u>	<u>548,198</u>
Cash and cash equivalents - End of year	<u>515,820</u>	<u>344,394</u>
Cash and cash equivalents comprise:		
Cash	91,327	344,394
Cash equivalents	424,493	-
	<u>515,820</u>	<u>344,394</u>

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

Multiple Sclerosis Scientific Research Foundation

Notes to Financial Statements

December 31, 2015

1 Purpose of organization

Multiple Sclerosis Scientific Research Foundation (the Foundation) is a registered charitable organization without share capital incorporated under the laws of Ontario and is a registered charity under the Income Tax Act (Canada). Accordingly, the Foundation is exempt from income taxes provided certain requirements of the Income Tax Act (Canada) are met. The Foundation's purpose is to carry on and promote scientific research in or relating to the disease of multiple sclerosis (MS), and for that purpose exclusively, to receive, maintain and apply funds.

2 Change in accounting policy

During the year, the Foundation decided to segregate the restricted fund for endMS Campaigns into two distinct restricted funds. These two restricted funds are endMS Research and Training Network and endMS Whatever-It-Takes.

The purpose of the segregation of the endMS campaigns is to ensure the two funds distinctly reflect the restrictions placed by donors on the campaigns.

The change in accounting policy has been accounted for retrospectively, and the comparative financial statements for the prior year have been restated accordingly.

The impact of this change on the prior year statement of revenue and expenditures is as follows:

	2014		
	As previously stated \$	Adjustment for change in policy \$	Restated \$
Revenue			
Donations for endMS Research and Training Network (formerly endMS Campaigns)	2,737,599	(1,580,981)	1,156,618
Donations for endMS Whatever-It-Takes	-	1,580,981	1,580,981
	<u>2,737,599</u>	<u>-</u>	<u>2,737,599</u>
Expenditures			
endMS Research and Training Network (formerly endMS Campaigns)	2,975,314	(1,000,000)	1,975,314
endMS Whatever-It-Takes	-	1,000,000	1,000,000
	<u>2,975,314</u>	<u>-</u>	<u>2,975,314</u>

This change had no impact on the 2014 opening and closing total net assets, excess of revenue over expenditures or cash flows.

Multiple Sclerosis Scientific Research Foundation

Notes to Financial Statements

December 31, 2015

3 Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The following summary of significant accounting policies is set forth to facilitate the understanding of these financial statements.

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

For financial reporting purposes, revenues and expenditures have been classified into the following funds:

- Unrestricted

The unrestricted fund accounts for the Foundation's general fundraising, granting and administrative activities and reports unrestricted resources available for immediate use.

- Restricted for endMS Research and Training Network

The endMS Research and Training Network consists of various training programs, activities and awards aimed at graduate students and postdoctoral fellows intent on furthering their knowledge and training in MS.

- Restricted for endMS Whatever-It-Takes

The endMS Whatever-It-Takes Campaign is a \$75 million national fundraising campaign that builds on The Multiple Sclerosis Society of Canada's previous campaign success. Through donor support, the campaign will focus on priority areas to advance the most promising research in Canada and around the world, build research capacity in Canada and connect people affected by MS with the information and support they need.

Revenue recognition

All unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are recognized as revenue of the appropriate fund.

Income from bonds is accrued on a daily basis and dividends on common shares are accrued when declared. Discounts and premiums on bond purchases are amortized on a straight-line basis over the terms of the bonds and are included in income in the current year.

Multiple Sclerosis Scientific Research Foundation

Notes to Financial Statements

December 31, 2015

Financial assets and liabilities

The Foundation measures its financial assets and financial liabilities initially at fair value. Subsequently, cash and cash equivalents, investments and research grants payable are recorded at fair value and accounts receivable from Multiple Sclerosis Society of Canada, interest and other receivables, accounts payable to Multiple Sclerosis Society of Canada and accrued liabilities are recorded at amortized cost.

Investments comprise bonds and equities. They are carried in the balance sheet at fair value with changes in fair value recognized in the statement of revenue and expenditures. Transaction costs related to investments are expensed as incurred.

The Foundation is exposed to interest rate and credit risks on its bond holdings. The Foundation manages its credit risk by investing in bonds that are A rated or better.

Other than as discussed above, it is management's opinion that the Foundation is not exposed to significant interest or credit risks from its financial assets and financial liabilities. The Foundation is exposed to foreign currency risk in its investment portfolio. This risk is managed through the Foundation's investment policy.

Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid short-term interest bearing securities that mature within 90 days of the year-end.

Foreign currency translation

Transactions completed in foreign currencies are translated into Canadian dollars at the rates prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date and all other assets and liabilities are translated at the applicable historical exchange rate.

Translation gains and losses are recognized in the statement of revenue and expenditures in the period in which they occur.

Research grants payable

Commitments approved by the Board of Directors of the Foundation for research grants payable in future years are recorded as an expenditure and liability in the year of approval and reviewed on an annual basis. A risk free interest rate is used to discount the obligation to its fair value at the balance sheet date.

Use of estimates

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

Multiple Sclerosis Scientific Research Foundation

Notes to Financial Statements

December 31, 2015

4 Related party transactions

The Multiple Sclerosis Society of Canada (the Society) is an organization whose mission is to be a leader in finding a cure for MS and enabling people affected by MS to enhance their quality of life. The Foundation receives almost all of its funding from the Society and has a common director with the Society.

a) During the year, the Foundation received the following donations from the Society:

	2015 \$	2014 \$
endMS Research and Training Network	753,952	1,156,618
endMs Whatever-It-Takes	965,333	1,580,981
General donations - Royal Bank golf tournament	429,765	408,903
	<u>2,149,050</u>	<u>3,146,502</u>

As at December 31, 2015, \$1,810,680 (2014 - \$2,582,579) is receivable from the Society.

b) The Foundation reimburses the Society for all direct costs associated with the services provided and expenses paid. In addition, the Society provides overhead and administrative services for an annual fee of \$20,000. During the year, the Society paid the following expenditures on the Foundation's behalf:

	2015 \$	2014 \$
endMS Research and Training Network	2,344,480	1,975,314
endMS Whatever-It-Takes	2,735,344	1,000,000
Professional fees	62,509	75,829
Miscellaneous	-	5,995
	<u>5,142,333</u>	<u>3,057,138</u>

As at December 31, 2015, \$3,158,908 (2014 - \$1,296,789) is owing to the Society.

c) During the year, the Foundation provided a grant to the Society of \$571,926 (2014 - \$670,655).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Multiple Sclerosis Scientific Research Foundation

Notes to Financial Statements

December 31, 2015

5 Investments

	2015 \$	2014 \$
Bonds		
Federal	4,503,506	3,958,610
Provincial	5,332,217	3,710,266
Corporate	1,710,227	3,670,241
	<hr/> 11,545,950	<hr/> 11,339,117
Equities		
Canada	2,010,389	2,521,042
United States	2,281,888	2,535,060
Other	815,522	959,907
	<hr/> 5,107,799	<hr/> 6,016,009
	<hr/> 16,653,749	<hr/> 17,355,126

As at December 31, 2015, the bonds bear interest at rates varying between 1.20% and 4.15% and mature between March 30, 2017 and June 2, 2024. Investments include \$5,600,311 (2014 - \$4,409,016) relating to the endMS Research and Training Network.