

# **Multiple Sclerosis Scientific Research Foundation**

Financial Statements  
**December 31, 2018**



## *Independent auditor's report*

To the Members of Multiple Sclerosis Scientific Research Foundation

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### *Our opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Multiple Sclerosis Scientific Research Foundation (the Foundation) as at December 31, 2018 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.

#### **What we have audited**

The Foundation's financial statements comprise:

- the balance sheet as at December 31, 2018;
- the statement of revenue and expenditures for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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### *Basis for opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

#### **Independence**

We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### *Responsibilities of management and those charged with governance for the financial statements*

Management is responsible for the preparation and fair presentation of the 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.

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*PricewaterhouseCoopers LLP*  
*PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2*  
*T: +1 416 863 1133, F: +1 416 365 8215*

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

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### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario  
June 27, 2019

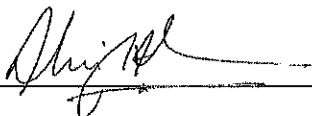
# Multiple Sclerosis Scientific Research Foundation

## Balance Sheet

As at December 31, 2018

	2018 \$	2017 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,105,242	99,522
Accounts receivable from Multiple Sclerosis Society of Canada (note 3(a))	2,513,100	1,442,560
Interest and other receivables	99,678	95,142
	<u>3,718,020</u>	<u>1,637,224</u>
<b>Investments (note 4)</b>	<u>11,353,710</u>	<u>15,176,944</u>
	<u>15,071,730</u>	<u>16,814,168</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable to Multiple Sclerosis Society of Canada (note 3(b))	1,577,511	2,217,198
Accrued liabilities and other payables	136,913	32,170
Research grants payable	5,164,123	4,279,820
	<u>6,878,547</u>	<u>6,529,188</u>
<b>Research grants payable</b>	<u>5,809,334</u>	<u>14,632</u>
	<u>12,687,881</u>	<u>6,543,820</u>
<b>Net Assets</b>		
<b>Restricted for endMS Research and Training Network</b>	172,668	1,561,058
<b>Restricted for endMS Acts-of-Greatness</b>	(4,325,470)	1,609,303
<b>Internally restricted</b>	1,502,015	1,502,015
<b>Unrestricted</b>	5,034,636	5,597,972
	<u>2,383,849</u>	<u>10,270,348</u>
	<u>15,071,730</u>	<u>16,814,168</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, 2018

	2018 \$	2017 \$
<b>Revenue</b>		
General donations (note 3(a))	246,213	1,928,275
Donations for endMS Research and Training Network (note 3(a))	5,000	106,905
Donations for endMS Acts-of-Greatness (note 3(a))	3,977,587	1,435,441
Investment income	199,238	289,171
Investment income for endMS Research and Training Network	87,548	136,436
Investment income from endMS Acts-of-Greatness	33,290	-
	<u>4,548,876</u>	<u>3,896,228</u>
<b>Expenditures</b>		
endMS Research and Training Network	1,480,417	990,298
endMS Acts-of-Greatness research grants	9,957,544	1,260,304
Grants (note 3(c))	795,813	539,606
Professional fees	52,627	43,544
Investment management fees	28,996	36,279
Bank charges	7,829	13,493
	<u>12,323,226</u>	<u>2,883,524</u>
<b>(Deficiency) excess of revenue over expenditures before the undernoted</b>	(7,774,350)	1,012,704
<b>Fair value change in investments</b>	(112,149)	235,038
<b>(Deficiency) excess of revenue over expenditures for the year</b>	<u>(7,886,499)</u>	<u>1,247,742</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, 2018

	2018				
	Restricted for endMS Research and Training Network \$	Restricted for endMS Acts-of- Greatness \$	Internally restricted \$	Unrestricted \$	Total \$
<b>Net assets – Beginning of year</b>	1,561,058	1,609,303	1,502,015	5,597,972	10,270,348
Deficiency of revenue over expenditures for the year	(1,388,390)	(5,934,773)	-	(563,336)	(7,886,499)
<b>Net assets – End of year</b>	172,668	(4,325,470)	1,502,015	5,034,636	2,383,849
	2017				
	Restricted for endMS Research and Training Network \$	Restricted for endMS Acts-of- Greatness \$	Internally restricted \$	Unrestricted \$	Total \$
<b>Net assets – Beginning of year</b>	2,412,397	1,434,166	-	5,176,043	9,022,606
(Deficiency) excess of revenue over expenditures for the year	(851,339)	175,137	-	1,923,944	1,247,742
Interfund transfer	-	-	1,502,015	(1,502,015)	-
<b>Net assets – End of year</b>	1,561,058	1,609,303	1,502,015	5,597,972	10,270,348

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, 2018

	2018 \$	2017 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
(Deficiency) excess of revenue over expenditures for the year	(7,886,499)	1,247,742
Non-cash items		
Fair value change in investments	112,149	(235,038)
Reinvested investment income	(236,184)	(391,257)
	<u>(8,010,534)</u>	<u>621,447</u>
Changes in non-cash balances related to operations		
Accounts receivable from Multiple Sclerosis Society of Canada	(1,070,540)	1,236,082
Interest and other receivables	(4,536)	(5,294)
Accounts payable to Multiple Sclerosis Society of Canada	(639,687)	(2,657,879)
Accrued liabilities and other payables	104,743	(104,611)
Research grants payable	6,679,005	(1,463,266)
	<u>5,068,984</u>	<u>(2,994,968)</u>
	<u>(2,941,549)</u>	<u>(2,373,521)</u>
<b>Investing activities</b>		
Proceeds from sale of investments	5,766,294	6,895,833
Purchase of investments	(1,819,025)	(5,082,914)
	<u>3,947,269</u>	<u>1,812,919</u>
<b>Change in cash and cash equivalents during the year</b>	1,005,720	(560,602)
<b>Cash and cash equivalents – Beginning of year</b>	99,522	660,124
<b>Cash and cash equivalents – End of year</b>	<u>1,105,242</u>	<u>99,522</u>
<b>Cash and cash equivalents comprise</b>		
Cash	735,374	49,688
Cash equivalents	369,868	49,834
	<u>1,105,242</u>	<u>99,522</u>

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



# Multiple Sclerosis Scientific Research Foundation

Notes to Financial Statements

December 31, 2018

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## 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 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

During the year, the endMS Whatever-It-Takes campaign was rebranded to endMS Acts-of-Greatness.

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 Acts-of-Greatness

The endMS Acts-of-Greatness 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.

# Multiple Sclerosis Scientific Research Foundation

## Notes to Financial Statements

December 31, 2018

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- Internally restricted

Internally restricted net assets are comprised of amounts that the Board of Directors has restricted by resolution for specific initiatives.

### 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.

### 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 and other payables to Multiple Sclerosis Society of Canada and accrued liabilities and other payables 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 in its investment portfolio. This risk is managed through the Foundation's investment policy.

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 asset 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.

# Multiple Sclerosis Scientific Research Foundation

## Notes to Financial Statements

December 31, 2018

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### 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.

### 3 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:

	2018	2017
	\$	\$
endMS Research and Training Network	5,000	106,905
endMS Acts-of-Greatness	3,977,587	1,435,441
General donations – Royal Bank golf tournament	230,459	407,781
	<u>4,213,046</u>	<u>1,950,127</u>

As at December 31, 2018, \$2,513,100 (2017 – \$1,442,560) is receivable from the Society.

b) The Society provides overhead and administrative services for an annual fee of \$20,000. In addition, the Foundation reimburses the Society for any costs paid by the Society on the Foundation's behalf.

As at December 31, 2018, \$1,577,511 (2017 – \$2,217,198) is owing to the Society.

c) During the year, the Foundation provided a grant to the Society of \$551,440 (2017 – \$519,647).

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, 2018

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### 4 Investments

	2018 \$	2017 \$
Bonds		
Federal	2,747,919	3,319,948
Provincial	4,543,062	6,284,059
Corporate	1,594,461	1,880,034
	<hr/> 8,885,442	<hr/> 11,484,041
Equities		
Canada	1,291,414	1,718,757
United States	744,326	1,329,542
Other	432,528	644,604
	<hr/> 2,468,268	<hr/> 3,692,903
	<hr/> 11,353,710	<hr/> 15,176,944

As at December 31, 2018, the bonds bear interest at rates varying between 1.34% and 3.5% and mature between January 3, 2019 and June 9, 2027. Investments include \$5,915,193 (2017 – \$7,245,372) relating to the endMS campaigns.

### 5 Comparative figures

Certain comparative amounts have been restated to correspond to the current year's presentation. In particular in the statement of cash flows, purchases of investments of \$4,357,694 were increased to \$5,082,914, proceeds from sale of investments of \$5,779,356 were increased to \$6,895,833 and reinvested investment income of \$391,257 was added under operating activities.