

Multiple Sclerosis Scientific Research Foundation

Financial Statements
December 31, 2020



Independent auditor's report

To the Board of Directors of Multiple Sclerosis Scientific Research Foundation

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, 2020 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, 2020;
- 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 significant accounting policies and other explanatory information.

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.

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

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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.

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.

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 16, 2021

Multiple Sclerosis Scientific Research Foundation

Balance Sheet

As at December 31, 2020

	2020 \$	2019 \$
Assets		
Current assets		
Cash and cash equivalents	1,732,236	2,163,305
Accounts receivable from Multiple Sclerosis Society of Canada (note 3(a))	2,350,853	2,797,209
Interest and other receivables	1,446,166	39,629
	<u>5,529,255</u>	<u>5,000,143</u>
Investments (note 4)	12,338,359	11,850,826
	<u>17,867,614</u>	<u>16,850,969</u>
Liabilities		
Current liabilities		
Accounts payable to Multiple Sclerosis Society of Canada (note 3(b))	743,708	1,978,557
Accrued liabilities and other payables	549,569	290,591
Research grants payable	4,878,870	3,674,010
	<u>6,172,147</u>	<u>5,943,158</u>
Research grants payable (note 5)	5,552,504	8,873,882
	<u>11,724,651</u>	<u>14,817,040</u>
Net Assets		
Restricted for endMS Acts-of-Greatness	(405,924)	(4,535,625)
Internally restricted	1,723,752	1,723,752
Unrestricted	4,825,135	4,845,802
	<u>6,142,963</u>	<u>2,033,929</u>
	<u>17,867,614</u>	<u>16,850,969</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, 2020

	2020		2019	
	Unrestricted \$	Restricted for endMS Research and Training Network \$	Restricted for endMS Acts-of-Greatness \$	Total \$
Revenue				
Donations	87,171	-	4,457,610	5,702,690
Investment income	234,691	-	51,857	297,551
	321,862	-	4,509,467	6,000,241
Expenditures				
Grants (note 3(c))	626,063	-	-	1,732,558
Professional fees	45,581	-	-	46,315
Investment management fees	29,359	-	-	27,195
Bank charges	13,596	-	-	9,646
endMS Campaign I (Research and Training Network) expenses	-	-	-	247,409
endMS Campaign II (Acts-of-Greatness) research grants	-	-	431,504	431,504
	714,599	-	431,504	1,146,103
	(392,737)	-	4,077,963	(1,016,877)
Excess (deficiency) of revenue over expenditures before the undernoted	372,070	-	51,738	666,957
Fair value changes in investments	(20,667)	-	4,129,701	(349,920)
Excess (deficiency) of revenue over expenditures for the year				

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, 2020

	2020				
	Restricted for endMS Research and Training Network \$	Restricted for endMS Acts-of- Greatness \$	Internally restricted \$	Unrestricted \$	Total \$
Net assets – Beginning of year	-	(4,535,625)	1,723,752	4,845,802	2,033,929
(Deficiency) excess of revenue over expenditures for the year	-	4,129,701	-	(20,667)	4,109,034
Net assets – End of year	-	(405,924)	1,723,752	4,825,135	6,142,963
	2019				
	Restricted for endMS Research and Training Network \$	Restricted for endMS Acts-of- Greatness \$	Internally restricted \$	Unrestricted \$	Total \$
Net assets – Beginning of year	172,668	(4,325,470)	1,502,015	5,034,636	2,383,849
(Deficiency) excess of revenue over expenditures for the year	(172,668)	(210,155)	-	32,903	(349,920)
Interfund transfer	-	-	221,737	(221,737)	-
Net assets – End of year	-	(4,535,625)	1,723,752	4,845,802	2,033,929

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, 2020

	2020 \$	2019 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenditures for the year	4,109,034	(349,920)
Non-cash items		
Fair value change in investments	(423,808)	(666,957)
Reinvested investment income	(189,972)	(215,750)
	<u>3,495,254</u>	<u>(1,232,627)</u>
Changes in non-cash balances related to operations		
Accounts receivable from Multiple Sclerosis Society of Canada	446,356	(284,109)
Interest and other receivables	(1,406,537)	60,049
Accounts payable to Multiple Sclerosis Society of Canada	(1,234,849)	401,046
Accrued liabilities and other payables	258,978	153,678
Research grants payable	(2,116,518)	1,574,435
	<u>(4,052,570)</u>	<u>1,905,099</u>
	(557,316)	672,472
Investing activities		
Proceeds from sale of investments	<u>126,247</u>	<u>385,591</u>
Change in cash and cash equivalents during the year	(431,069)	1,058,063
Cash and cash equivalents – Beginning of year	<u>2,163,305</u>	<u>1,105,242</u>
Cash and cash equivalents – End of year	<u><u>1,732,236</u></u>	<u><u>2,163,305</u></u>
Cash and cash equivalents comprise		
Cash	850,531	1,407,847
Cash equivalents	<u>881,705</u>	<u>755,458</u>
	<u><u>1,732,236</u></u>	<u><u>2,163,305</u></u>

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

Multiple Sclerosis Scientific Research Foundation

Notes to Financial Statements

December 31, 2020

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

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, revenue 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. The funds raised have been fully disbursed and during the year the fund was wound down.

- 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

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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 the Multiple Sclerosis Society of Canada (the Society), interest and other receivables, accounts payable and other payables to the Society 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 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.

Multiple Sclerosis Scientific Research Foundation

Notes to Financial Statements

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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 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 \$4,457,610 (2019 – \$4,656,425) in donations for the endMS Acts-of-Greatness campaign.

As at December 31, 2020, \$2,350,853 (2019 – \$2,797,209) 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, 2020, \$743,708 (2019 – \$1,978,557) is owing to the Society.

- c) During the year, the Foundation provided a grant to the Society of \$299,740 (2019 – \$588,515).

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, 2020

4 Investments

	2020 \$	2019 \$
Bonds		
Federal	2,489,847	2,749,106
Provincial	4,675,250	4,593,498
Corporate	1,975,460	1,612,826
	<hr/> 9,140,557	<hr/> 8,955,430
Equities		
Canada	1,441,857	1,400,169
United States	1,142,490	974,734
Other	613,455	520,493
	<hr/> 3,197,802	<hr/> 2,895,396
	<hr/> 12,338,359	<hr/> 11,850,826

As at December 31, 2020, the bonds bear interest at rates varying between 0.95% and 4.50% and mature between March 24, 2021 and June 1, 2030. Investments include \$5,745,261 (2019 – \$5,617,943) relating to the endMS Acts-of-Greatness campaign.

5 Long-term research grants payable

The Foundation has committed research grants to researchers over multiple years and the fair value discount has been recorded in endMS Acts-of-Greatness research grants on the statement of revenue and expenditures. Expected payments are as follows:

	\$
2022	3,143,103
2023	1,402,306
Thereafter	1,040,434
	<hr/> 5,585,843
Less: Fair value adjustment	33,339
	<hr/> 5,552,504

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6 Impact of COVID-19

In March 2020, the outbreak of the COVID-19 pandemic has resulted in governments worldwide enacting emergency measures to control the spread of the virus. In addition, global equity markets have experienced significant volatility and weakness. As a result, the Foundation may experience significant volatility in the market prices of its equity investments subsequent to year-end.

As the situation continues to evolve rapidly, the Foundation is unable to quantify the potential impact this pandemic may have on its financial statements.