

# **Multiple Sclerosis Society of Canada**

Combined Financial Statements  
**December 31, 2015**



May 27, 2016

## **Independent Auditor's Report**

### **To the Members of Multiple Sclerosis Society of Canada**

We have audited the accompanying combined financial statements of Multiple Sclerosis Society of Canada, which comprise the combined statement of financial position as at December 31, 2015 and the combined 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 combined financial statements**

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements present fairly, in all material respects, the combined financial position of Multiple Sclerosis Society of Canada as at December 31, 2015 and the results of its combined operations, changes in its net assets 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 Society of Canada

## Combined Statement of Financial Position

As at December 31, 2015

(in thousands of dollars)

	2015 \$	2014 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	10,359	12,967
Short-term investments (note 3)	109	121
Accounts receivable (note 6)	6,064	3,706
Prepaid expenses and supplies	973	952
	<hr/> 17,505	<hr/> 17,746
<b>Investments</b> (note 3)	7,184	7,447
<b>Capital assets</b> (note 4)	2,549	3,099
<b>Intangible assets</b> (note 5)	496	192
	<hr/> 27,734	<hr/> 28,484
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	2,554	2,517
Research grants payable	5,025	4,683
Payable to Multiple Sclerosis Scientific Research Foundation (note 6)	1,811	2,583
Deferred revenue	2,080	2,346
	<hr/> 11,470	<hr/> 12,129
<b>Deferred lease inducement</b>	481	552
<b>Deferred capital contributions</b>	1,176	1,336
<b>Research grants payable</b> (note 7)	2,676	2,729
	<hr/> 4,333	<hr/> 4,617
	<hr/> 15,803	<hr/> 16,746
<b>Net Assets</b>		
<b>Restricted for endowment purposes</b>	574	575
<b>Internally restricted for research programs</b>	4,197	4,003
<b>Internally restricted for other purposes</b>	416	433
<b>Unrestricted</b>	6,744	6,727
	<hr/> 11,931	<hr/> 11,738
	<hr/> 27,734	<hr/> 28,484
<b>Commitments</b> (note 11)		

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

**Approved by the Board of Directors**

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**Multiple Sclerosis Society of Canada**  
**Combined Statement of Revenue and Expenditures**  
**For the year ended December 31, 2015**

(in thousands of dollars)

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		
Leadership giving activity		
Bequests	3,725	2,801
endMS Research and Training Network	432	925
endMS Whatever It Takes	573	1,581
Corporate giving and major donors	2,159	2,272
Grants from governments	1,159	1,220
Grants from pharmaceutical companies	636	722
Other grants	732	636
	<hr/>	<hr/>
	9,416	10,157
Community based fundraising events	21,402	21,789
Individual giving and direct marketing	13,314	14,086
Dinners, tournaments and third party events	6,392	6,063
Gaming	1,495	1,322
United Way and HealthPartners	1,676	1,685
Public awareness activities	721	793
Sale of goods	286	306
Miscellaneous	233	241
Memberships	34	57
Investment income	493	615
	<hr/>	<hr/>
	55,462	57,114
<b>Fundraising expenditures</b>		
Leadership giving	1,988	2,095
Community based fundraising events	8,461	8,514
Individual giving and direct marketing	7,663	7,967
Dinners, tournaments and third party events	2,065	1,948
Indirect fundraising	1,940	2,032
Gaming	219	220
Cost of goods sold	164	190
	<hr/>	<hr/>
	22,500	22,966
<b>Program and administration expenditures</b>		
Client services	8,851	8,891
Research	6,404	6,864
Research - endMS Research and Training Network	754	1,157
Research - endMS Whatever It Takes	965	1,581
Public education and awareness	5,765	5,748
Chapter and volunteer support and development	3,821	3,981
Government and community relations	1,719	1,719
MS clinics	249	673
Administration	4,148	3,612
	<hr/>	<hr/>
	32,676	34,226
	<hr/>	<hr/>
	55,176	57,192
<b>Surplus/ (Deficiency) of revenue over expenditures before the undernoted</b>	286	(78)
<b>Fair value change in investments</b>	(92)	264
	<hr/>	<hr/>
<b>Excess of revenue over expenditures for the year</b>	194	186
	<hr/>	<hr/>

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

# Multiple Sclerosis Society of Canada

## Combined Statement of Changes in Net Assets

For the year ended December 31, 2015

(in thousands of dollars)

	<b>2015</b>				
	<b>Restricted for endowment purposes \$</b>	<b>Internally restricted for research programs \$</b>	<b>Internally restricted for other purposes \$</b>	<b>Unrestricted \$</b>	<b>Total \$</b>
<b>Balance - Beginning of year</b>	575	4,003	433	6,727	11,738
Endowment contributions	(5)	-	-	-	(5)
Excess of revenue over expenditures for the year	-	-	-	194	194
Interfund transfers	-	194	(17)	(177)	-
Interest earned on endowment contributions	4	-	-	-	4
<b>Balance - End of year</b>	<b>574</b>	<b>4,197</b>	<b>416</b>	<b>6,744</b>	<b>11,931</b>
	<b>2014</b>				
	<b>Restricted for endowment purposes \$</b>	<b>Internally restricted for research programs \$</b>	<b>Internally restricted for other purposes \$</b>	<b>Unrestricted \$</b>	<b>Total \$</b>
<b>Balance - Beginning of year</b>	495	3,685	377	6,937	11,494
Endowment contributions	76	-	-	-	76
Excess of revenue over expenditures for the year	-	-	-	186	186
Transfer of net assets	-	132	-	(141)	(9)
Interfund transfers	-	186	56	(242)	-
Interest earned on endowment contributions	4	-	-	-	4
Removal of net assets of disaffiliated chapters	-	-	-	(13)	(13)
<b>Balance - End of year</b>	<b>575</b>	<b>4,003</b>	<b>433</b>	<b>6,727</b>	<b>11,738</b>

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

# Multiple Sclerosis Society of Canada

## Combined Statement of Cash Flows

For the year ended December 31, 2015

(in thousands of dollars)

	2015 \$	2014 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenditures for the year	194	186
Non-cash items		
Amortization of capital assets	565	587
Amortization of intangible assets	46	132
Amortization of deferred capital contributions	(170)	(175)
Amortization of deferred lease inducements	(71)	(63)
Fair value change in investments	92	(264)
Reinvested investment income	(307)	(463)
Net change in non-cash working capital (note 9)	(3,380)	(943)
Research grants payable	289	106
	<u>(2,742)</u>	<u>(897)</u>
<b>Investing activities</b>		
Proceeds on sale of investments	490	1,278
Acquisition of investments	-	(296)
Acquisition of capital assets	(15)	(296)
Acquisition of intangible assets	(350)	(26)
	<u>125</u>	<u>660</u>
<b>Financing activities</b>		
Lease inducement received	-	195
Receipt of endowment	(5)	76
Deferred capital contributions received	10	102
Interest earned on endowment contributions	4	4
	<u>9</u>	<u>377</u>
<b>(Decrease)/Increase in cash during the year</b>	(2,608)	140
<b>Removal of net assets of disaffiliated chapters</b>	-	(13)
<b>Cash - Beginning of year</b>	<u>12,967</u>	<u>12,840</u>
<b>Cash - End of year</b>	<u>10,359</u>	<u>12,967</u>

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

# Multiple Sclerosis Society of Canada

## Notes to Combined Financial Statements

December 31, 2015

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(in thousands of dollars)

### 1 Nature of operations

The Multiple Sclerosis Society of Canada (MS Society or the Society) is incorporated under the laws of Canada. The Society is a registered charity under the Income Tax Act (Canada) and is therefore exempt from income taxes and may issue official donation receipts for income tax purposes. Its mission is to be a leader in finding a cure for multiple sclerosis (MS) and to enable people affected by MS to enhance their quality of life. The Society operates through a number of incorporated entities that all contribute to a common mission. The Society comprises six divisions, which are: Alberta and the Northwest Territories; the Atlantic Provinces; British Columbia and Yukon; Manitoba, Ontario and Nunavut and Saskatchewan, and all of the Chapters within their divisional boundaries, and operates in the Province of Quebec through Affiliation Agreements with a number of incorporated entities.

### 2 Summary of significant accounting policies

#### Basis of presentation

These combined financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

These combined financial statements represent the assets, liabilities, net assets and operations of the MS Society, its divisions and their chapters, The Multiple Sclerosis Society of Canada (Quebec Division) and the following incorporated Quebec Chapters:

Abitibi-Temiscamingue Chapter, Banlieue West Chapter, Bas-Saint-Laurent Chapter, Centre of Quebec Chapter, Chaudiere-Appalaches Chapter, Cote-Nord Chapter, Lac-St-Jean Chapter, Lanaudiere Chapter, Laurentides Chapter, Laval Chapter, Manicouagan Chapter, Mauricie Chapter, Monteregie Chapter, Montreal Chapter, Outaouais Chapter, Montreal East Chapter, Region of Quebec Chapter and Therese-de-Blainville/Basses-Laurentides Chapter

The combined balances are presented after the elimination of inter-organizational balances and transactions.

#### Revenue recognition

The Society recognizes unrestricted contributions as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Donations and grants received from contributors, which have attached special provisions for their use, are deferred on receipt and subsequently recognized as revenue when the related specified expenditures are made. Capital contributions are deferred and recognized as revenue as the related costs and capital amortization are recorded as expenditures. Other revenue is recognized when earned. Bequests are accounted for when received. Endowment contributions and income thereon are recognized as direct increases in net assets.



# Multiple Sclerosis Society of Canada

## Notes to Combined Financial Statements

December 31, 2015

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(in thousands of dollars)

### Financial assets and liabilities

The Society initially measures its financial assets and financial liabilities at fair value. The Society subsequently measures all its financial assets and liabilities at amortized cost with the exception of investments and research grants payable, which have been elected to be measured at fair value. Changes in fair value are recognized in the combined statement of revenue and expenditures.

Financial assets measured at amortized cost include cash, accounts receivable and short-term investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and payable to the Multiple Sclerosis Scientific Research Foundation (the Foundation).

### Investments

The Society's investment activities are governed by investment policies set by the Board of Directors. These policies have strict guidelines as to asset categories and mix in accordance with the risk and return objectives established by the Board of Directors and management. Investments are recorded at fair value, which is determined based on the closing unit price. Changes in fair value are recognized in investment income on the combined statement of revenue and expenditures. The funds are professionally managed by advisers associated with a major Canadian chartered bank. The national investment committee, which consists of volunteers with investment management experience, meets with the investment manager on a quarterly basis to review the results of the investments and the portfolio mix.

### Capital assets

Purchased capital assets are recorded at cost less accumulated amortization and any impairment in value. Contributed capital assets are recorded at their fair value at the date of contribution. Amortization is provided over the assets' estimated useful lives as follows:

Office and computer equipment	3 years straight-line
Buildings	20 years straight-line
Leasehold improvements	over the life of the lease

For office and computer equipment, amortization is one-half of the above rate in the year of acquisition.

### Intangible assets

Intangible assets comprise computer software, which is recorded at cost, less accumulated amortization and any impairment in value. Computer software assets are amortized using the straight-line method over a period of three years. In the year of acquisition, only one-half of the annual rate is applied in the calculation of amortization expense.

# Multiple Sclerosis Society of Canada

## Notes to Combined Financial Statements

December 31, 2015

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(in thousands of dollars)

### **Research grants payable**

Three research review committees, consisting of the Biomedical Committee, the Population & Clinical Health Committee and the Personnel Committee, review and recommend funding of research projects and personnel support on the dual criteria of scientific excellence and relevance to MS. The Medical Advisory Committee provides further advice and oversight and the National Board approves funding to researchers. Research grants payable in future years are recorded as a liability and expensed in the year of approval. Ongoing monitoring of research progress occurs on a continuing basis as part of an overall commitment to monitoring and accountability. Since research grants are usually multi-year commitments, changes in project commitments are adjusted to the research grant expense in the year they occur.

### **Deferred lease inducements**

Lease inducements received by the Society are deferred and amortized as an adjustment to rent expense over the term of the lease on a straight-line basis.

### **Funds restricted for endowment purposes**

The Society has received funds with externally imposed restrictions stipulating that the resources received be maintained permanently while the investment income on those amounts must be used for specific purposes.

### **Internally restricted funds**

The Society has funds that have been internally restricted by the Board of Directors at the national, divisional or chapter level for the following purposes:

- Research program

These funds have been restricted to provide funding for research projects in future years.

- Other purposes

These funds have been restricted by divisions for building replacement, working capital and program services.

Interfund transfers are approved by the Board of Directors at the national, divisional or chapter level as appropriate, and in the current year relate primarily to the reclassification of amounts previously restricted for specific internal purposes on the basis that these amounts are no longer required for their original purpose. During 2015, the Board of Directors approved the current year surplus of \$194 (2014 - \$186) to be internally restricted to research programs.

# Multiple Sclerosis Society of Canada

## Notes to Combined Financial Statements

December 31, 2015

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(in thousands of dollars)

### **Allocation of expenses**

The Society provides direct services to people affected by MS, funding for research into the cause of and cure for MS, public education and awareness activities, volunteer development and support, government relations, and stakeholder advocacy programs. The costs of each program include the costs of personnel responsible for delivering these programs as well as expenditures that are directly related to conducting these programs.

The Society also incurs costs related to fundraising, administration and governance. Like the program areas, these costs include the costs of personnel with responsibilities in these areas as well as expenditures that are directly related to these activities.

Where personnel have responsibilities relating to more than one functional area, the costs are charged to each area based on time spent on each function. The charges related to personnel costs are reviewed on an annual basis as part of the budgeting process and adjustments are made during the year for significant changes in an individual's area of responsibility.

In addition to these costs, a number of support expenditures are incurred that are shared between all areas. These include expenses relating to office equipment, amortization of capital assets, office rent and occupancy costs, insurance, office supplies, outside services (such as payroll processing), telephone system expenses, and audit fees. The Society charges all support costs to each area based on the relative head count for each area.

### **Contributed services and non-capital assets**

These combined financial statements do not reflect the substantial value of services and non-capital assets contributed by volunteers and other interested parties.

### **Use of estimates**

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

# Multiple Sclerosis Society of Canada

## Notes to Combined Financial Statements

December 31, 2015

(in thousands of dollars)

### 3 Investments

Investments comprise the following:

	2015 \$	2014 \$
Pooled funds held with Phillips, Hager & North		
Mortgage Pension Trust, Series O	1,808	1,694
Bond Fund, Series O	1,720	1,758
Canadian Equity Fund, Series O	1,655	1,832
Overseas Equity Fund, Series O	414	358
Hedged Overseas Equity, Series O	361	358
US Equity Fund, Series O	1,178	1,258
Canadian Money Market Fund, Series O	5	38
Funds held by other institutions		
Guaranteed investment certificates	149	269
Other	3	3
	7,293	7,568
Less: Current portion	109	121
	7,184	7,447

For the year ended December 31, 2015, the total return generated by Phillips, Hager & North was 4% (2014 - 11%).

### 4 Capital assets

	2015		2014	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Office and computer equipment	3,727	3,551	176	399
Buildings	1,454	895	559	633
Leasehold improvements	3,303	2,051	1,252	1,505
Land	562	-	562	562
	9,046	6,497	2,549	3,099

### 5 Intangible assets

	2015		2014	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Computer software	3,700	3,204	496	192
	3,700	3,204	496	192

# Multiple Sclerosis Society of Canada

## Notes to Combined Financial Statements

December 31, 2015

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(in thousands of dollars)

### 6 Transactions and balances with the Foundation

The Foundation is an organization established to carry on and promote scientific research in or related to MS. It is incorporated under the Canada Corporations Act and is a registered charity under the Income Tax Act (Canada). The Foundation has a common director with the Society and receives 79% (2014 - 85%) of its revenue from the Society; therefore, the Society is considered to have significant influence over the Foundation. The Society provides overhead and administrative services to the Foundation for an annual charge of \$20 (2014 - \$20).

Included in the transactions with the Foundation is \$430 (2014 - \$409) restricted for the ongoing research funded by the Foundation and \$1,749 (2014 - \$2,737) restricted for the endMS Campaigns. At year-end, \$1,811 (2014 - \$1,467) remains payable to the Foundation.

The Society received a grant from the Foundation of \$571 (2014 - \$671) related to the endMS Campaigns. On behalf of the Foundation, the Society paid the endMS Campaigns' expenses, professional fees and miscellaneous expenses of \$5,079 (2014 - \$3,057) which was charged to the Foundation. At year-end, \$3,159 (2014 - \$1,297) is remaining in accounts receivable.

### 7 Long-term research grants payable

Amounts designated to fund research projects are payable as follows:

	2015 \$	2014 \$
Long-term portion of research grants payable in the years ending		
2016	-	2,107
2017	2,100	622
2018	576	-
	<hr/> 2,676	<hr/> 2,729

The fair value change in research grants payable was \$75 (2014 - \$75), which has been recorded in research expenses in the combined statement of revenue and expenditures.

### 8 Allocation of expenses

Shared support expenditures have been allocated as follows:

	2015 \$	2014 \$
Program and administration expenditures	2,472	1,753
Fundraising expenditures	1,650	1,417
	<hr/> 4,122	<hr/> 3,170

# Multiple Sclerosis Society of Canada

## Notes to Combined Financial Statements

December 31, 2015

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(in thousands of dollars)

### 9 Government remittances payable

As at year-end, the Society had remittances payable to the government of \$194 (2014 - \$193). This represents payroll withholdings that were deducted in December 2015 and remitted in January 2016.

### 10 Net changes in non-cash working capital

	2015 \$	2014 \$
Accounts receivable	(2,358)	(76)
Prepaid expenses and supplies	(21)	13
Accounts payable and accrued liabilities	37	(1,180)
Payable to Multiple Sclerosis Scientific Research Foundation	(772)	99
Deferred revenue	(266)	201
	<u>(3,380)</u>	<u>(943)</u>

### 11 Commitments

The Society has leased office premises and equipment for terms expiring in various years to 2024. Future minimum lease payments are as follows:

	\$
2016	2,293
2017	1,723
2018	1,602
2019	1,475
2020	1,278
Thereafter	<u>3,136</u>
	<u>11,507</u>

### 12 Risk management

Financial instruments that potentially subject the Society to concentrations of credit risk are cash, investments and accounts receivable. The Society places its cash in interest bearing accounts or instruments insured by a Canadian chartered bank. The Society believes that an adequate provision has been made for accounts receivable to the extent that collection is doubtful.

#### Currency risk

The Society is subject to currency risk as the value of its US dollar bank account will fluctuate due to changes in foreign exchange rates. The Society believes it has low exposure to currency risk given the low magnitude and volume of foreign currency transactions.

# Multiple Sclerosis Society of Canada

## Notes to Combined Financial Statements

December 31, 2015

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(in thousands of dollars)

### **Interest rate risk**

The Society is exposed to interest rate risk as the value of its investments fluctuates in accordance with fluctuations in interest rates. The Society manages its interest rate risk by monitoring the performance of the individual investments and by ensuring compliance by the investment manager with the set investment policies of the organization.

### **Market risk**

Investments are subject to market risk. The Society manages market risk by substantially investing in guaranteed investment certificates and pooled mutual funds that meet specific investment criteria and designed to adequately diversify the Society's investments to reduce exposure to market risk. Professional investment managers invest and manage the investment portfolio in accordance with the Society's investment policy statement. Investments are recorded at fair value. Fair value estimates are made at a specific point in time and may not be reflective of future value. The Society does not hold or issue financial instruments for trading purposes and does not hold or invest in derivative financial instruments.

## **13 Comparative figures**

Certain comparative amounts have been restated to conform to the current year's presentation.