

Multiple Sclerosis Society of Canada

Combined Financial Statements
December 31, 2014



May 25, 2015

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, 2014 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 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 financial position of Multiple Sclerosis Society of Canada as at December 31, 2014 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 Society of Canada

Combined Statement of Financial Position

As at December 31, 2014

(in thousands of dollars)

	2014 \$	2013 \$
Assets		
Current assets		
Cash	12,967	12,840
Short-term investments	121	251
Accounts receivable (note 5)	3,706	3,630
Prepaid expenses and supplies	952	965
	<hr/>	<hr/>
	17,746	17,686
Investments, at fair value (note 3)	7,447	7,581
Capital assets (note 4)	3,099	3,390
Intangible assets	192	298
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	28,484	28,955
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Approved by the Board of Directors

_____ Director _____ Director

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

Multiple Sclerosis Society of Canada

Combined Balance Sheet ...continued

As at December 31, 2014

(in thousands of dollars)

	2014 \$	2013 \$
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	2,517	3,697
Research grants payable	4,683	4,376
Payable to Multiple Sclerosis Scientific Research Foundation (note 5)	2,583	2,484
Deferred revenue	2,346	2,145
	<hr/> 12,129	<hr/> 12,702
Deferred lease inducement	552	420
Deferred capital contributions	1,336	1,409
Research grants payable (note 6)	2,729	2,930
	<hr/> 4,617	<hr/> 4,759
	<hr/> 16,746	<hr/> 17,461
Net Assets		
Restricted for endowment purposes	575	495
Internally restricted for research programs	4,003	3,685
Internally restricted for other purposes	433	377
Unrestricted	6,727	6,937
	<hr/> 11,738	<hr/> 11,494
	<hr/> 28,484	<hr/> 28,955
Commitments (note 10)		

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

Multiple Sclerosis Society of Canada
Combined Statement of Revenue and Expenditures
For the year ended December 31, 2014

(in thousands of dollars)

	2014	2013
	\$	\$
Revenue		
Leadership giving activity		
Bequests	2,801	2,487
endMS Campaigns	2,506	1,232
Corporate giving and major donors	2,272	2,043
Grants from governments	1,220	1,348
Grants from pharmaceutical companies	722	767
Other grants	636	825
	<hr/>	<hr/>
	10,157	8,702
Community based fundraising events	21,789	22,554
Individual giving and direct marketing	14,086	13,815
Dinners, tournaments and third party events	6,063	6,383
Gaming	1,322	1,467
United Way and HealthPartners	1,685	1,661
Public awareness activities	793	1,007
Sale of goods	306	277
Miscellaneous	241	253
Memberships	57	73
Investment income	615	615
	<hr/>	<hr/>
	57,114	56,807
	<hr/>	<hr/>
Fundraising expenditures		
Leadership giving	2,095	1,936
Community based fundraising events	8,514	8,590
Individual giving and direct marketing	7,967	8,436
Dinners, tournaments and third party events	1,948	1,967
Indirect fundraising	2,032	1,851
Gaming	220	247
Cost of goods sold	190	160
	<hr/>	<hr/>
	22,966	23,187
	<hr/>	<hr/>
Program and administration expenditures		
Client services	8,891	9,223
Research	6,864	6,653
Research - endMS Campaigns	2,738	1,457
Public education and awareness	5,748	6,453
Chapter and volunteer support and development	3,981	4,152
Government and community relations	1,719	1,893
MS clinics	673	1,030
Administration	3,612	4,234
	<hr/>	<hr/>
	34,226	35,095
	<hr/>	<hr/>
	57,192	58,282
	<hr/>	<hr/>
Deficiency of revenue over expenditures before the undernoted	(78)	(1,475)
Fair value change in investments	264	526
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Excess (deficiency) of revenue over expenditures for the year	186	(949)
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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, 2014

(in thousands of dollars)

	2014				
	Restricted for endowment purposes \$	Internally restricted for research programs \$	Internally restricted for other purposes \$	Unrestricted \$	Total \$
Balance - Beginning of year	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)
Balance - End of year	575	4,003	433	6,727	11,738
	2013				
	Restricted for endowment purposes \$	Internally restricted for research programs \$	Internally restricted for other purposes \$	Unrestricted \$	Total \$
Balance - Beginning of year	496	3,685	388	7,954	12,523
Deficiency of revenue over expenditures for the year	-	-	-	(949)	(949)
Interfund transfers	(5)	-	(11)	16	-
Interest earned on endowment contributions	4	-	-	-	4
Removal of net assets of disaffiliated chapters	-	-	-	(84)	(84)
Balance - End of year	495	3,685	377	6,937	11,494

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, 2014

(in thousands of dollars)

	2014 \$	2013 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenditures for the year	186	(949)
Non-cash items		
Amortization of capital assets	587	632
Amortization of intangible assets	132	119
Amortization of deferred capital contributions	(175)	(245)
Amortization of deferred lease inducements	(63)	(360)
Net book value of leasehold improvements written off	-	263
Fair value change in investments	(264)	(526)
Reinvested investment income	(463)	(344)
Net change in non-cash working capital (note 9)	(943)	1,111
Research grants payable	106	(338)
	<u>(897)</u>	<u>(637)</u>
Investing activities		
Proceeds on sale of investments	1,278	2,674
Acquisition of investments	(296)	(241)
Acquisition of capital assets	(296)	(1,513)
Acquisition of intangible assets	(26)	(82)
	<u>660</u>	<u>838</u>
Financing activities		
Lease inducement received	195	-
Receipt of endowment	76	-
Deferred capital contributions received	102	-
Interest earned endowment contributions	4	4
	<u>377</u>	<u>4</u>
Increase in cash during the year	140	205
Removal of net assets of disaffiliated chapters	(13)	(84)
Cash - Beginning of year	<u>12,840</u>	<u>12,719</u>
Cash - End of year	<u>12,967</u>	<u>12,840</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, 2014

(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-Appalache 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.

Financial assets and liabilities

The Society initially measures its financial assets and financial liabilities at fair value long-term. The Society subsequently measures all its financial assets and liabilities at amortized cost with the exception of investments

Multiple Sclerosis Society of Canada

Notes to Combined Financial Statements

December 31, 2014

(in thousands of dollars)

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).

It is management's opinion that the Society is not exposed to significant interest rate risk, market risk, currency risk, credit risk or cash flow risk.

Investments

The organization'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, 2014

(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 2014, the Board of Directors approved the current year surplus of \$186 to be internally restricted to research programs.

Multiple Sclerosis Society of Canada

Notes to Combined Financial Statements

December 31, 2014

(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, 2014

(in thousands of dollars)

3 Investments, at fair value

Investments comprise the following:

	2014 \$	2013 \$
Pooled funds held with Phillips, Hager & North		
Mortgage Pension Trust, Series O	1,694	1,890
Bond Fund, Series O	1,758	1,690
Canadian Equity Fund, Series O	1,832	1,915
Overseas Equity Fund, Series O	358	375
Hedged Overseas Equity, Series O	358	378
US Equity Fund, Series O	1,258	1,202
Canadian Money Market Fund, Series O	38	37
Funds held by other institutions		
Guaranteed investment certificates	148	91
Other	3	3
	7,447	7,581

For the year ended December 31, 2014, the total return generated by Phillips, Hager & North was 11% (2013 - 13.3%).

4 Capital assets

	2014		2013	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Office and computer equipment	3,670	3,271	399	466
Buildings	1,454	821	633	707
Leasehold improvements	3,345	1,840	1,505	1,655
Land	562	-	562	562
	9,031	5,932	3,099	3,390

5 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 85% (2013 - 74%) 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 (2013 - \$20).

Included in the transactions with the Foundation is \$409 (2013 - \$327) restricted for the ongoing research funded by the Foundation and \$1,467 (2013 - \$1,457) restricted for the endMS Campaigns.

Multiple Sclerosis Society of Canada

Notes to Combined Financial Statements

December 31, 2014

(in thousands of dollars)

The Society received a grant from the Foundation of \$671 (2013 - \$113) related to the endMS Campaigns. On behalf of the Foundation, the Society paid the endMS Campaigns expenses, professional fees and miscellaneous expenses of \$3,057 (2013 - \$2,828) which was charged to the Foundation. At year-end, \$1,297 (2013 - \$826) is remaining in accounts receivable.

6 Long-term research grants payable

Amounts designated to fund research projects are payable as follows:

	2014 \$	2013 \$
Long-term portion of research grants payable in the years ending		
2015	-	2,343
2016	2,107	587
2017	622	-
	<hr/> 2,729	<hr/> 2,930

The fair value change in research grants payable was \$nil (2013 - \$75), which has been recorded in research expenses in the combined statement of revenue and expenditures.

7 Allocation of expenses

Shared support expenditures have been allocated as follows:

	2014 \$	2013 \$
Program and administration expenditures	1,753	2,116
Fundraising expenditures	1,417	1,533
	<hr/> 3,170	<hr/> 3,649

8 Government remittances payable

As at year-end, the Society had remittances payable to the government of \$193 (2013 - \$229). This represents payroll withholdings that were deducted in December 2014 and remitted in January 2015.

Multiple Sclerosis Society of Canada

Notes to Combined Financial Statements

December 31, 2014

(in thousands of dollars)

9 Net changes in non-cash working capital

	2014 \$	2013 \$
Accounts receivable	(76)	(574)
Prepaid expenses and supplies	13	(101)
Accounts payable and accrued liabilities	(1,180)	1,441
Payable to Multiple Sclerosis Scientific Research Foundation	99	379
Deferred revenue	201	(34)
	<hr/>	<hr/>
	(943)	1,111
	<hr/>	<hr/>

10 Commitments

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

	\$
2015	2,156
2016	1,890
2017	1,437
2018	1,349
2019	1,280
Thereafter	3,926
	<hr/>
	12,038
	<hr/>