

**The Multiple Sclerosis Society of
Canada (Quebec Division) and
Quebec Chapters**

Combined Financial Statements
December 31, 2014

The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters

Combined Financial Statements

December 31, 2014

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April 7, 2015

Independent Auditor's Report

To the Directors of The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters

We have audited the accompanying combined financial statements of The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters, which comprise the combined balance sheet 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 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.

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

Opinion

In our opinion, the combined financial statements present fairly, in all material respects, the financial position of The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters as at December 31, 2014 and the results of their operations and their cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP¹

¹ CPA auditor, CA, public accountancy permit No. A128080

The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters

Combined Balance Sheet

As at December 31, 2014

	Note	2014 \$	2013 \$
Assets			
Current assets			
Cash and cash equivalents		1,802,680	1,837,983
Accounts receivable	3	679,989	537,848
Inventory		40,710	53,279
Prepaid expenses		142,261	184,048
Current portion of investments	4	121,139	250,681
		<u>2,786,779</u>	<u>2,863,839</u>
Investments	4	148,271	91,159
Capital assets	5	<u>71,449</u>	<u>65,538</u>
		<u>3,006,499</u>	<u>3,020,536</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6	1,475,404	1,358,423
Deferred revenue		<u>254,642</u>	<u>338,883</u>
		1,730,046	1,697,306
Obligations under capital leases		17,070	9,707
Deferred lease inducement		<u>83,920</u>	<u>106,808</u>
		<u>1,831,036</u>	<u>1,813,821</u>
Net Assets			
	7		
Invested in capital assets		71,449	65,538
Restricted for endowment purposes		29,849	33,796
Restricted by the Board of Directors		100,737	44,455
Unrestricted		<u>973,428</u>	<u>1,062,926</u>
		<u>1,175,463</u>	<u>1,206,715</u>
		<u>3,006,499</u>	<u>3,020,536</u>
Commitments	8		

On behalf of the Board of Directors

_____ Director _____ Director

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

The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters

Combined Statement of Revenue and Expenditures

For the year ended December 31, 2014

	Note	2014 \$	2013 \$
Revenue			
Revenue from donations and grants			
Individual giving		509,492	581,502
Corporate giving and major donors		278,928	276,630
Bequests		490,960	480,745
EndMS Campaign		126,429	166,429
Government grants		729,999	820,565
Grants from pharmaceutical partners		172,550	140,839
Other grant revenue		4,618	8,532
Total revenue from donations and grants		2,312,976	2,475,242
Other revenues			
Pledge-based and other fundraising events		3,329,531	3,101,985
Gala dinners, tournaments and third party events		1,717,139	1,351,754
Public awareness activities		346,465	430,514
HealthPartners		257,568	255,274
Registration fees – activities provided to clients		140,916	112,073
Bingos and lotteries		42,098	124,646
Sale of goods		39,270	14,607
Investment revenue		21,362	21,294
Miscellaneous revenue		4,716	27,481
Membership revenue		2,628	4,640
Total revenue		8,214,669	7,919,510
Expenditures			
Fundraising expenditures			
Donations and grants	2	390,896	395,671
Pledge-based and other fundraising events		1,913,347	1,704,772
Gala dinners, tournaments and third party events		653,125	610,017
Cost of goods sold		31,932	4,325
Indirect fundraising expenditures		303,919	289,039
Total fundraising expenditures		3,293,219	3,003,824
Program and administrative spending			
Client services	2	1,675,767	1,684,377
Research		1,082,429	823,571
Research – EndMS Campaign		126,429	166,429
Public education and awareness		773,032	884,507
Chapter and volunteer support and development		612,954	684,562
Government and community relations		134,829	159,120
MS clinics		55,000	125,000
Administration		475,269	471,190
Total program and administrative spending		4,935,709	4,998,756
Total expenditures		8,228,928	8,002,580
Excess of expenditures over revenue for the year		(14,259)	(83,070)

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

The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters

Combined Statement of Changes in Net Assets

For the year ended December 31, 2014

	Note	2014 \$	2013 \$
Net assets – Beginning of year	7	1,206,715	1,379,007
Removal of net assets of Sclérose en plaques Saint-Hyacinthe-Acton's Chapter (2013 – Granby and Region and the Sorel-Tracy Chapters)	1	(13,046)	(84,301)
Excess of expenditures over revenue		(14,259)	(83,070)
Contribution released from endowment and included in revenue		(3,947)	(4,921)
Net assets – End of year	7	<u>1,175,463</u>	<u>1,206,715</u>

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

The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters

Combined Statement of Cash Flows

For the year ended December 31, 2014

	2014 \$	2013 \$
Cash flows from		
Operating activities		
Excess of expenditures over revenue	(14,259)	(83,070)
Adjustments for		
Amortization of capital assets	31,985	32,095
Contribution released from endowment and included in revenue	(3,947)	(4,921)
	<u>13,779</u>	<u>(55,896)</u>
Changes in non-cash working capital items		
Increase in accounts receivable	(142,964)	(216,183)
Decrease (increase) in inventory	12,569	(46,683)
Decrease (increase) in prepaid expenses	40,713	(93,853)
Increase in accounts payable and accrued liabilities	121,989	53,891
Increase (decrease) in deferred revenue	(84,241)	184,486
Decrease in deferred lease inducement	(22,888)	(32,370)
	<u>(74,822)</u>	<u>(150,712)</u>
	<u>(61,043)</u>	<u>(206,608)</u>
Financing activities		
Net payment of obligations under capital leases	<u>7,363</u>	<u>1,939</u>
Investing activities		
Acquisition of investments	(216,088)	(162,041)
Proceeds on sale of investments	277,681	125,095
Acquisition of capital assets	(38,055)	(27,265)
	<u>23,538</u>	<u>(64,211)</u>
Net decrease in cash and cash equivalents during the year	<u>(30,142)</u>	<u>(268,880)</u>
Cash and cash equivalents – Beginning of year	1,837,983	2,193,651
Removal of cash and cash equivalents of Sclérose en plaques Saint-Hyacinthe-Acton's Chapter (2013 – Granby and Region and the Sorel-Tracy Chapters)	<u>(5,161)</u>	<u>(86,788)</u>
Cash and cash equivalents – End of year	<u>1,802,680</u>	<u>1,837,983</u>

Cash and cash equivalents consist of cash on hand and cash balances with banks.

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

The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters

Notes to Combined Financial Statements

December 31, 2014

1 Organization

The Multiple Sclerosis Society of Canada (Quebec Division) (the “Quebec Division”) and 18 Quebec Chapters were each incorporated under Part III of the Quebec Companies Act for the purposes of financing medical research, informing the public and providing services to people living with multiple sclerosis (MS).

In December 2013, a contract of affiliation was signed between the National Office and the Quebec Division of the Multiple Sclerosis Society. For many years, verbal agreements have governed the collaborative relationship between the Quebec Division and Quebec Chapters of the Multiple Sclerosis Society of Canada. Under the renewal initiative implemented by the Multiple Sclerosis Society of Canada, written agreements (the “affiliation agreements”) detailing the exact nature of the relationship between the Quebec Division and Quebec Chapters of the Multiple Sclerosis Society of Canada have been adopted for 8 Chapters by the end of 2014. Most of the 10 other Chapters are expected to adopt the affiliation agreements in the near future.

The Sclérose en plaques Saint-Hyacinthe-Acton’s Chapter disaffiliated from the Multiple Sclerosis Society of Canada in 2014 (2013 – Granby and Region and the Sorel-Tracy Chapters). The beginning cash and cash equivalents and net asset balances have been reduced for the removal of the amounts related to that Chapter. The combined balance sheet 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 do not include any amounts related to the Sclérose en plaques Saint-Hyacinthe-Acton’s Chapter (2013 – Granby and Region and the Sorel-Tracy Chapters).

2 Summary of significant accounting policies

Financial statements

These combined financial statements are prepared using the accrual basis of accounting and represent the assets, liabilities, net assets and operations of the Quebec Division and the Quebec Chapters of The Multiple Sclerosis Society of Canada (collectively the Society). The Society is not subject to income taxes.

All inter-society transactions and balances have been eliminated.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters

Notes to Combined Financial Statements

December 31, 2014

Volunteer services and contributed materials and services

The work of the Society is dependent on, among other things, the voluntary services of many members. In addition, the Society may receive contributed materials and services. Because these materials and services are not normally purchased by the Society, and because of the difficulty in determining their fair values, contributed materials and services are not recognized in these combined financial statements unless they relate to capital assets.

Revenue recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or as receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Pledges and bequests

Pledges and bequests are accounted for when reasonable assurance exists that they will ultimately be received.

Inventory

Inventory is stated at the lower of cost and current replacement cost. Cost is generally determined on a first-in, first-out basis. Inventory comprises campaign and information material.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided for on a straight-line basis over the estimated useful lives of the assets. Amortization of computer and office equipment is provided for on a straight-line basis over a three- to five-year period. Leasehold improvements are amortized over the residual life of the lease.

Deferred revenue

Deferred revenue consists of government grants and donations received which have attached special provisions for their use. Deferred revenue related to government grants is recognized in revenue on a straight-line basis over the life of the grant. Deferred revenue with attached special provisions is recognized in revenue when the special provisions are fulfilled. In the years presented, all deferred revenue amounts were realized in the following year.

Deferred lease inducement

The Quebec Division has an office lease which began on March 1, 2006 and expires on August 31, 2019 for which the Quebec Division received free rent for a total period of 15 months. The free rent is amortized on a straight-line basis over the term of the lease.

The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters

Notes to Combined Financial Statements

December 31, 2014

Net assets

Net assets, other than any that are already invested in capital assets, restricted for endowment purposes, or internally restricted, are unrestricted. The internal restrictions of net assets are actions of the Board of Directors. Investment income earned on these internally restricted assets is unrestricted. The net assets restricted by the Board of Directors were restricted by the Board of Directors of the Saguenay Chapter for the local support program for people with multiple sclerosis. The Society does not have externally imposed restrictions on its assets.

Allocation of expenses

The Society provides direct services to people affected by MS, funding for research into the cause 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 it as well as expenditures that are directly related to its operation.

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

The costs of personnel are charged to their area or areas of accountability based on the estimated split of the time required to discharge their individual roles and responsibilities. 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 direct costs, a number of support expenditures are incurred that are shared among all areas. The support expenditures include 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 such support costs to each area based on the relative head count for each area.

Costs of personnel and support expenditures are shared between programs and areas as follows:

	2014 \$	2013 \$
Program spending	2,181,067	2,369,008
Fundraising expenditures	1,615,384	1,607,112
Administration	466,673	455,551
	<hr/> 4,263,124	<hr/> 4,431,671

The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters

Notes to Combined Financial Statements

December 31, 2014

National Office research funding

The usual practice of the Quebec Division is to remit for research all of its yearly excess of revenue over expenditures, less the remittance to the National Office for research.

Financial instruments

Measurement of financial instruments

The Society initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions. The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for equity investments quoted in active markets and derivative financial instruments, if any, which are measured at fair value. Changes in fair value are recognized in excess of expenditures over revenue.

Financial assets measured at amortized cost include cash and cash equivalents, accounts receivable, lottery deposits and investments. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and obligations under capital leases.

Presentation and transaction costs

Liabilities are classified as current unless the Society has an unconditional right to defer its settlement liabilities for at least 12 months after the combined balance sheet date.

Transaction costs on financial assets and financial liabilities measured at amortized cost, if any, are added to or netted against the carrying value of the related asset or liability and then recognized over the expected life of the instrument using the straight-line method.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the writedown is recognized in excess of expenditures over revenue. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of expenditures over revenue.

The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters

Notes to Combined Financial Statements

December 31, 2014

3 Accounts receivable

	2014 \$	2013 \$
Receivable from other divisions	48,392	24,531
Receivable from National Office	152,277	239,932
Other	479,320	273,385
	<u>679,989</u>	<u>537,848</u>

The other accounts receivable consist principally of sponsorships receivable, receivables related to special events, lottery deposits and sales taxes recoverable.

4 Investments

	2014 \$	2013 \$
Restricted investments		
Term deposits	<u>29,849</u>	<u>33,696</u>
Non-restricted investments		
Term deposits	239,239	307,822
Others	322	322
	<u>239,561</u>	<u>308,144</u>
	269,410	341,840
Less: Current portion	<u>121,139</u>	<u>250,681</u>
	<u>148,271</u>	<u>91,159</u>

Term deposits as at December 31, 2014 earn interest at various rates ranging between 0.65% and 1.85% (2013 – 0.65% and 2.50%) and mature at various dates between January 15, 2015 and December 23, 2017.

The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters

Notes to Combined Financial Statements

December 31, 2014

5 Capital assets

			2014	2013
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Computer and office equipment	255,950	194,026	61,924	53,972
Leasehold improvements	29,560	20,035	9,525	11,566
	285,510	214,061	71,449	65,538

6 Accounts payable and accrued liabilities

	2014 \$	2013 \$
Payable to National Office	986,726	880,564
Payable to other divisions	26,948	-
Accrued liabilities	440,523	422,308
Government remittances*	21,207	55,551
	1,475,404	1,358,423

* Government remittances consist of amounts (such as payroll withholding taxes) required to be paid to government authorities and are recognized when the amounts become due.

The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters

Notes to Combined Financial Statements

December 31, 2014

7 Net assets by restriction

	Invested in capital assets \$	Restricted for endowment purposes \$	Restricted by the Board \$	Unrestricted \$	Total \$
As at January 1, 2013	78,279	38,717	55,380	1,206,631	1,379,007
Removal of net assets of Granby and Region and the Sorel-Tracy Chapters – January 1, 2013	(7,911)	-	-	(76,390)	(84,301)
Excess of expenditures over revenue	-	-	-	(83,070)	(83,070)
Contribution released from endowment and included in revenue	-	(4,921)	-	-	(4,921)
Restricted by the Board of Directors	-	-	(10,925)	10,925	-
Acquisition of capital assets	27,265	-	-	(27,265)	-
Amortization of capital assets	(32,095)	-	-	32,095	-
As at December 31, 2013	65,538	33,796	44,455	1,062,926	1,206,715
Removal of net assets of Sclérose en plaques Saint-Hyacinthe-Acton's Chapter – January 1, 2014	(159)	-	-	(12,887)	(13,046)
Excess of expenditures over revenue	-	-	-	(14,259)	(14,259)
Contribution released from endowment and included in revenue	-	(3,947)	-	-	(3,947)
Restricted by the Board of Directors	-	-	56,282	(56,282)	-
Acquisition of capital assets	38,055	-	-	(38,055)	-
Amortization of capital assets	(31,985)	-	-	31,985	-
As at December 31, 2014	71,449	29,849	100,737	973,428	1,175,463

8 Commitments

The minimum annual lease payments under operating leases are as follows:

	\$
2015	301,621
2016	282,436
2017	210,502
2018	196,590
2019	138,140
Thereafter	58,861

The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters

Notes to Combined Financial Statements

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9 Financial instruments

Credit risk

Financial instruments that potentially subject the Society to credit risk consist of cash and cash equivalents, accounts receivable and investments. The Society has deposited its cash and cash equivalents with reputable financial institutions. It is management's opinion that the Society is not exposed to significant credit risk arising from its financial instruments as at December 31, 2014.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Society's financial instruments expose it in a limited way to interest rate risk. It is management's opinion that the Society is not exposed to significant interest rate risk arising from its financial instruments.

As at December 31, 2014, the Society's exposure to interest rate risk is as follows:

Cash and cash equivalents	Prime rate less 1.85%
Investments	See note 4

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and obligations under capital leases.