

Multiple Sclerosis Society of Canada

**Combined Financial Statements
August 31, 2009**

November 21, 2009

Auditors' Report

To the Members of Multiple Sclerosis Society of Canada

We have audited the combined balance sheet of **Multiple Sclerosis Society of Canada** (the Society) as at August 31, 2009 and the combined statements of revenue and expenditure, changes in net assets and cash flows for the year then ended. These combined financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Society as at August 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants

Multiple Sclerosis Society of Canada

Combined Balance Sheet

As at August 31, 2009

(in thousands of dollars)

	2009 \$	2008 \$
Assets		
Current assets		
Cash and cash equivalents	15,504	17,425
Short-term investments	99	48
Accounts receivable and accrued interest	1,891	2,058
Prepaid expenses and supplies	2,224	2,658
	<u>19,718</u>	<u>22,189</u>
Marketable securities (note 2)	11,198	11,291
Capital assets (note 3)	<u>3,684</u>	<u>3,742</u>
	<u>34,600</u>	<u>37,222</u>
Liabilities		
Current liabilities		
Payable to Multiple Sclerosis Scientific Research Foundation (note 4a)	3,161	4,652
Accounts payable and accrued liabilities	3,318	4,743
Research grants payable (note 5)	4,367	3,918
Deferred revenue (note 6)	2,184	2,202
Deferred lease inducement	64	64
Deferred capital contributions (note 7)	135	142
	<u>13,229</u>	<u>15,721</u>
Long-term liabilities		
Deferred lease inducement	745	676
Deferred capital contributions (note 7)	1,043	1,166
Research grants payable (note 5)	1,737	1,565
	<u>3,525</u>	<u>3,407</u>
Total Liabilities	<u>16,754</u>	<u>19,128</u>
Net Assets		
Restricted for endowment purposes	482	426
Internally restricted for research program	3,554	3,554
Internally restricted for other purposes	1,350	1,297
Unrestricted	12,460	12,817
	<u>17,846</u>	<u>18,094</u>
	<u>34,600</u>	<u>37,222</u>

Approved by the Board of Directors



Director



Director

Multiple Sclerosis Society of Canada
Combined Statement of Revenue and Expenditure
For the year ended August 31, 2009

(in thousands of dollars)

	2009	2008
	\$	\$
Revenue		
Donations and fundraising events - net of related expenses (note 8)	28,503	29,960
Grants	2,283	2,560
Allocations from United Way	1,197	1,220
Restricted donations for endMS Research & Training Network (note 4a)	1,165	2,759
Investment income	241	436
Miscellaneous revenue	203	578
Memberships	85	93
	<u>33,677</u>	<u>37,606</u>
Expenditure		
Program services		
Client services	10,495	10,285
Research (note 4a)	7,324	9,893
Research - restricted for endMS Research & Training Network (note 4a)	1,165	2,759
Public education and awareness	4,086	3,958
Chapter and volunteer support and development	2,806	2,743
Government and community relations	1,570	1,390
MS clinics	889	843
	<u>28,335</u>	<u>31,871</u>
Support services		
Administration	4,039	3,876
Fundraising	1,689	1,551
	<u>5,728</u>	<u>5,427</u>
	<u>34,063</u>	<u>37,298</u>
Excess (deficiency) of revenue over expenditure for the year	<u>(386)</u>	<u>308</u>

Multiple Sclerosis Society of Canada

Combined Statement of Changes in Net Assets

For the year ended August 31, 2009

(in thousands of dollars)

	2009		2008		
	Restricted for endowment purposes \$	Internally restricted for research program \$	Internally restricted for other purposes \$	Unrestricted \$	Total \$
Balance - Beginning of year	426	3,554	1,297	12,817	18,094
New chapter partnership Montreal East				134	134
Excess (deficiency) of revenue over expenditure for the year	-	-	-	(386)	(386)
Transfers	52	-	53	(105)	308
Interest earned on endowment contributions	4	-	-	-	4
Balance - End of year	482	3,554	1,350	12,460	17,846
					18,094

Multiple Sclerosis Society of Canada

Combined Statement of Cash Flows

For the year ended August 31, 2009

(in thousands of dollars)

	2009 \$	2008 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenditure for the year	(386)	308
Amortization of capital assets	736	635
Recognition of deferred revenue	(2,981)	(2,862)
Recognition of deferred capital contributions	(596)	(495)
New chapter partnership Montreal East	134	-
Amortization of deferred lease inducements	(64)	(64)
Net change in non-cash working capital	(1,694)	(926)
	<u>(4,851)</u>	<u>(3,404)</u>
Investing activities		
Net change in short-term investments	(51)	(6)
Sale of marketable securities	93	4,187
Purchase of marketable securities	-	(1,080)
Investment in capital assets	(678)	(740)
	<u>(636)</u>	<u>2,361</u>
Financing activities		
Lease inducement received	133	-
Deferred revenue received	2,963	3,241
Deferred capital contributions received	466	425
Interest earned on endowment contributions	4	15
	<u>3,566</u>	<u>3,681</u>
Increase (decrease) in cash and cash equivalents during the year	(1,921)	2,638
Cash and cash equivalents - Beginning of year	<u>17,425</u>	<u>14,787</u>
Cash and cash equivalents - End of year	<u>15,504</u>	<u>17,425</u>

Multiple Sclerosis Society of Canada

Notes to the Combined Financial Statements

August 31, 2009

(in thousands of dollars)

1 Summary of significant accounting policies

Society

The Multiple Sclerosis Society of Canada (the Society) is incorporated under the laws of Canada and is a registered charitable Society. Its mission is to be a leader in finding a cure for Multiple Sclerosis (MS) and enabling people affected by MS to enhance their quality of life. The Society is comprised of seven divisions, their chapters and a national office. Each division and the national office are separately registered under the Income Tax Act (Canada) as an associated charitable organization.

Basis of reporting

The Society operates through a number of incorporated entities that all contribute to a common mission. These combined financial statements represent the assets, liabilities, net assets and operations of The Multiple Sclerosis Society of Canada, The Multiple Sclerosis Society of Canada (Quebec Division) and the following Quebec Chapters of the Multiple Sclerosis Society of Canada that have separate legal status:

The Multiple Sclerosis Society of Canada (Quebec Division), Abitibi-Temiscamingue Chapter, Banlieue West Chapter, Bas-Saint-Laurent Chapter, Centre of Quebec Chapter, Cote-Nord Chapter, Montreal East Chapter, Estrie Chapter, Grandby and Regions Chapter, Lac-St-Jean Chapter, Lanaudiere Chapter, Laurentides Chapter, Laval Chapter, Manicouagan Chapter, Mauricie Chapter, Monteregic Chapter, Montreal Chapter, Outaouais Chapter, Region of Quebec Chapter, St-Hyacinthe-Acton Chapter, Sorel-Tracy Chapter, Therese-de-Blainville / Basses-Laurentides Chapter

The Multiple Sclerosis Society of Canada includes the accounts of the divisions, which are in Alberta, the Atlantic provinces, British Columbia, Manitoba, Ontario, and Saskatchewan, their chapters and the national office of the Society.

The combined balances are presented after the elimination of inter-company balances.

Revenue recognition

The Society follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable. Donations and grants received from contributors who have attached special provisions for their use are deferred upon receipt and subsequently recognized as revenue when the related specified expenditures are made. Capital contributions are deferred and credited to the statement of revenue and expenditure as the related costs and capital amortization are recorded as expenditures.

Endowment contributions and income thereon are recognized as direct increases in net assets.

Financial instruments

The Society utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the Society is not exposed to significant interest, currency, or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

Multiple Sclerosis Society of Canada

Notes to the Combined Financial Statements

August 31, 2009

(in thousands of dollars)

The Society classifies its financial instruments into the following categories based on the purpose for which the asset was acquired. Financial assets and liabilities are generally classified and measured as follows:

Assets/liabilities	Category	Measurement
Cash and cash equivalents	held-for-trading	fair value
Accounts receivable	loans and receivables	amortized cost
Short-term investments	held-for-trading	fair value
Marketable securities	held-for-trading	fair value
Accounts payable and accrued liabilities	other liabilities	amortized cost
Payable to Multiple Sclerosis Scientific Research Foundation	other liabilities	amortized cost
Research grants payable	other liabilities	amortized cost

Financial assets which are classified as held-for-trading are comprised of certain investments in various mutual funds held by Phillips, Hager & North (see note 2). They are carried in the balance sheet at fair value with changes in fair value recognized in the statement of revenue and expenditures and is included in investment income. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

The Society has chosen to apply The Canadian Institute of Chartered Accountants Handbook (CICA) Section 3861- Financial Instruments – Disclosure and Presentation in place of Section 3862 - Financial Instruments – Disclosures and Section 3863 - Financial Instruments – Presentation.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid short-term, interest bearing securities that mature within 90 days of their issuance.

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 over the assets' estimated useful lives as follows:

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

Impairment of long-lived assets

An impairment charge is recognized for long-lived assets when an event or change in circumstances causes an asset's carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated as the difference between the fair value of the assets and their carrying values. There has been no impairment charge recognized in either the current or the prior year.

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Research grants payable

Two peer review committees, the Biomedical Research Review Committee and the Health Research Review 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 oversight, and the National Executive Committee approves funding to researchers, payable in future years and 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 reportability and accountability. Since research grants are usually multi-year commitments, changes in project commitments are adjusted 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 restricted funds for the following purposes:

a) Research program

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

b) Other purposes

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

Inter-fund 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.

Contributed services and non-capital assets

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

Multiple Sclerosis Society of Canada

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August 31, 2009

(in thousands of dollars)

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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.

Changes in accounting policies

Effective September 1, 2008, the Society adopted The Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535, Capital Disclosures. This standard requires that an entity disclose information that enables users of its financial statements to evaluate an entity's objectives, policies, and processes for managing capital, including disclosures of externally imposed capital requirements and the consequences of non-compliance. This standard impacts the Society's disclosures provided but does not affect its results or financial position. This disclosure is included as note 10.

Effective September 1, 2008, the Society retroactively adopted the changes to the recommendations in Section 4400, Financial Statement Presentation for Not-For-Profit Organizations, that eliminates the requirement to separately disclose the amount of net assets invested in property and equipment. The Society has therefore eliminated the details about the amount of net assets invested in property and equipment from the financial statements. As a result, the Society has reclassified the prior year financial statements to include the amount of net assets invested in property and equipment as at September 1, 2007 of \$2,259 in unrestricted net assets.

Future changes in accounting policies

- Recent amendments to the CICA handbook Section 4400, Financial Statement Presentation by Not-for-Profit Organizations, will modify the requirements with respect to various elements of financial statement presentation. These amendments include:
 - reporting certain revenues gross in the statement of operations;
 - when a not-for-profit organization classifies its expenses by function and allocates some of its fundraising and general support costs to another function, disclosing the policy for expenses and amounts allocated from each of these two functions to other functions will be required; and
 - the requirement to assess capital assets periodically for impairment.

The new standards apply to the Society effective September 1, 2009. However, the impact will be limited to reclassification of numbers in the statements and additional disclosures.

- In February 2008, the Accounting Standards Board amended Section 1000, Financial Statement Concepts, to clarify that assets not meeting the definition of an asset or the recognition criteria are not permitted to be recognized on the balance sheet. These requirements are effective for fiscal years beginning on or after October 1, 2008. The Society is examining its current approach to recognizing costs and assets and will

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August 31, 2009

(in thousands of dollars)

implement these standards effective September 1, 2009 retroactively with restatement of the prior year. The impact of implementing these amendments on the Society's financial statements is not yet known.

2 Marketable securities

Marketable securities are comprised of the following:

	2009		2008	
	Cost \$	Market value \$	Cost \$	Market value \$
Funds held with Phillips, Hager & North	11,622	10,908	11,257	11,030
Provincial bonds	285	285	257	257
Other	5	5	4	4
	<u>11,912</u>	<u>11,198</u>	<u>11,518</u>	<u>11,291</u>

As of August 31, 2009, funds held with Phillips, Hager & North consist of: \$35 (2008 - \$26) in money market funds; \$5,244 (2008 - \$6,791) in Canadian fixed income funds; \$3,140 (2008 - \$2,053) in Canadian equity funds; and \$2,489 (2008 - \$2,160) in foreign equity funds. For the 12 months ended September 30, 2009, the total return generated by Phillips, Hager & North was 9.4% (2008 - negative 5.50%).

Bonds bear interest at rates varying between 0.45% and 4.25% and mature between September 29, 2010 and December 19, 2010.

3 Capital assets

	2009		
	Cost \$	Accumulated amortization \$	Net book value \$
Office equipment, computer equipment and software	5,304	4,548	756
Buildings	1,200	435	765
Leasehold improvements	3,181	1,460	1,721
Land	442	-	442
	<u>10,127</u>	<u>6,443</u>	<u>3,684</u>

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(in thousands of dollars)

	2008		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Office equipment, computer equipment and software	4,834	4,165	669
Buildings	1,076	377	699
Leasehold improvements	3,097	1,165	1,932
Land	442	-	442
	<u>9,449</u>	<u>5,707</u>	<u>3,742</u>

4 Related party transactions

a) Payable to Multiple Sclerosis Scientific Research Foundation

	2009	2008
	\$	\$
Balance - Beginning of year	4,652	5,000
Amounts authorized during the year	2,165	7,159
Amounts paid during the year	<u>(3,656)</u>	<u>(7,507)</u>
Balance - End of year	<u>3,161</u>	<u>4,652</u>

Included in the amounts authorized above is \$1,000 (2008 - \$4,400) restricted for the ongoing research funded by the Multiple Sclerosis Scientific Research Foundation (the Foundation) and \$1,165 (2008 - \$2,759) restricted for the endMS Research & Training Network.

The Foundation is an organization established to carry on and promote scientific research in or related to the disease of MS, is incorporated under the Canada Corporations Act and is a registered charity under the Income Tax Act (Canada). The Foundation has three common directors with the Society and receives 34% (2008 - 45%) of its revenue from the Society.

- b) During the year, the Society incurred legal fees and marketing expenses with parties with which certain members of its Board of Directors are associated. Transactions involving the Society and these parties totalled \$97 (2008 - \$199). These transactions are considered to be in the normal course of business and are measured at or below fair value.

Multiple Sclerosis Society of Canada

Notes to the Combined Financial Statements

August 31, 2009

(in thousands of dollars)

5 Research grants payable

Amounts designated to fund research projects are payable as follows:

	\$
Current portion of research grants payable in year ending August 31, 2010	<u>4,367</u>
Long-term portion of research grants payable in years ending August 31, 2011	1,410
August 31, 2012	<u>327</u>
	<u>1,737</u>
	<u>6,104</u>

6 Deferred revenue

	2009 \$	2008 \$
Balance - Beginning of year	2,202	1,823
Amounts received during the year	2,963	3,241
Amounts recognized as revenue during the year	<u>(2,981)</u>	<u>(2,862)</u>
Balance - End of year	<u>2,184</u>	<u>2,202</u>

7 Deferred capital contributions

	2009 \$	2008 \$
Balance - Beginning of year	1,308	1,378
Amounts received during the year	466	425
Amounts recognized as revenue during the year	<u>(596)</u>	<u>(495)</u>
Balance - End of year	1,178	1,308
Less: Current portion	<u>135</u>	<u>142</u>
	<u>1,043</u>	<u>1,166</u>

Multiple Sclerosis Society of Canada

Notes to the Combined Financial Statements

August 31, 2009

(in thousands of dollars)

8 Donations and special fundraising projects

	2009	2008
	\$	\$
Direct mail	14,244	16,428
Super Cities Walks	14,442	14,474
MS Bike Tours	9,682	9,463
Dinners, sporting events and other	5,686	5,959
Donations	4,424	4,578
Bequests	3,683	3,183
Read-A-Thon	1,345	1,691
Gaming	1,433	1,285
Carnation	1,464	1,576
	<hr/>	<hr/>
	56,403	58,637
Less: Related expenses	<hr/>	<hr/>
	27,900	28,677
	<hr/>	<hr/>
	28,503	29,960

9 Commitments

The Society has leased office premises and equipment for terms expiring in various years to 2016. Future minimum lease payments are as follows:

	\$
2010	953
2011	899
2012	864
2013	832
2014	694
Thereafter	<hr/>
	1,678
	<hr/>
	5,920

Multiple Sclerosis Society of Canada

Notes to the Combined Financial Statements

August 31, 2009

(in thousands of dollars)

10 Management of capital

The Society defines its capital as the amounts included in its net asset balances, which include both unrestricted and restricted amounts. Restricted amounts include contributions whose use has been specified by the donor. Management believes that it is in compliance with the restrictions of the contributions.

The Society's objective when managing its capital is to safeguard the Society's ability to continue as a going concern so that it can continue to provide the appropriate level of benefits to its beneficiaries and its stakeholders.

The Society sets the amount of net asset balances in proportion to risk, manages the net asset structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

11 Subsequent event

Following a decision by the Board of Directors, the Society is changing its year end to December 31 effective December 31, 2009.

12 Comparative Figures

Certain 2008 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.