

MS Canada – Quebec Division and Quebec Chapters

Combined Financial Statements
December 31, 2023

MS Canada – Quebec Division and Quebec Chapters

Combined Financial Statements

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Table of Contents

	Page
Independent Auditor’s Report	1
Combined Financial Statements	
Combined Balance Sheet	4
Combined Statement of Revenues and Expenditures	5
Combined Statement of Changes in Net Assets.....	6
Combined Statement of Cash Flows.....	7
Notes to Combined Financial Statements.....	8



Independent auditor's report

To the Directors of MS Canada – Quebec Division

Our opinion

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of MS Canada – Quebec Division and Quebec Chapters (together, the Society) as at December 31, 2023 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

What we have audited

The Society's combined financial statements comprise:

- the combined balance sheet as at December 31, 2023;
- the combined statement of revenues and expenditures for the year then ended;
- the combined statement of changes in net assets for the year then ended;
- the combined statement of cash flows for the year then ended; and
- the notes to the combined financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the combined financial statements* section of our report.

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

Independence

We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the combined financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Emphasis of matter – combined financial statements

We draw attention to the fact that, as described in note 2 to the combined financial statements, the businesses included in the combined financial statements have not operated as a single entity. These combined financial statements are, therefore, not necessarily indicative of results that would have occurred if the businesses had operated as a single business during the year presented or of future results of the Society. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the combined financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the combined financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditor's responsibilities for the audit of the combined financial statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Society to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP¹

Montréal, Quebec
June 4, 2024

¹ CPA auditor, public accountancy permit No. A130737

MS Canada – Quebec Division and Quebec Chapters

Combined Balance Sheet

As at December 31, 2023

	Note	2023 \$	2022 \$
Assets			
Current assets			
Cash		3,767,602	4,459,540
Accounts receivable	3	790,082	643,209
Inventory		17,193	17,193
Prepaid expenses		29,793	52,855
Current portion of investments	4	11,072	6,822
		<u>4,615,742</u>	<u>5,179,619</u>
Investments	4, 8	49,609	50,242
Capital assets	5	<u>121,087</u>	<u>122,375</u>
		<u>4,786,438</u>	<u>5,352,236</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6	1,439,632	1,672,998
Deferred revenues	7	331,932	364,094
Current portion of annuity payable	8	3,404	3,403
		<u>1,774,968</u>	<u>2,040,495</u>
Obligations under capital leases		1,500	1,500
Annuity payable	8	7,187	10,955
Deferred contributions	9	<u>51,858</u>	<u>57,592</u>
		<u>1,835,513</u>	<u>2,110,542</u>
Net Assets			
Invested in capital assets		121,087	122,375
Internally restricted	10	725,487	603,153
Unrestricted		<u>2,104,351</u>	<u>2,516,166</u>
		<u>2,950,925</u>	<u>3,241,694</u>
		<u>4,786,438</u>	<u>5,352,236</u>
Commitments and contingencies	13		

Approved by the Board of Directors

_____ Director _____ Director

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

MS Canada – Quebec Division and Quebec Chapters

Combined Statement of Revenues and Expenditures

For the year ended December 31, 2023

	Note	2023 \$	2022 \$
Revenues			
Revenues from donations and government grants			
Corporate giving, individual giving and major donors		808,212	835,134
Bequests		345,486	832,374
Acts of greatness campaign		20,000	-
Government grants		1,686,158	1,345,277
Contributions from pharmaceutical partners		126,950	141,800
Other		1,552	-
Total revenues from donations and government grants		2,988,358	3,154,585
Other revenues			
Signature events		1,589,286	1,302,321
Local fundraising initiatives		845,013	800,817
Partnership events and campaigns		144,119	134,833
I challenge MS		489,006	505,115
Public awareness activities		14,080	917
HealthPartners		144,439	171,705
Registration fees – Activities provided to clients		113,838	38,710
Bingos and lotteries		109,952	98,761
Sale of goods		41,902	47,270
Investment revenues		48,732	9,014
Membership revenues		1,375	1,290
Total revenues		6,530,100	6,265,338
Expenditures			
Fundraising expenditures			
Donations and grants	2	492,200	318,780
Signature events		897,564	662,387
Local fundraising initiatives		574,151	425,294
Partnership events and campaigns		25,565	29,033
I challenge MS		410,025	299,749
Bingos and lotteries		5,553	5,437
Cost of goods sold		43,641	34,007
Indirect fundraising expenditures		139,153	154,518
Total fundraising expenditures		2,587,852	1,929,205
Program and administrative spending			
Client services	2, 11	1,555,117	1,136,598
Research	12	465,000	1,200,000
Research – Acts of greatness campaign	12	20,000	-
Public education and awareness		564,449	488,841
Chapter and volunteer support and development		652,391	619,132
Community relations		276,799	227,527
Administration		699,261	551,301
Total program and administrative spending		4,233,017	4,223,399
Total expenditures		6,820,869	6,152,604
Excess (deficit) of revenues over expenditures for the year		(290,769)	112,734

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

MS Canada – Quebec Division and Quebec Chapters

Combined Statement of Changes in Net Assets

For the year ended December 31, 2023

	Invested in capital assets \$	Internally restricted \$	Unrestricted \$	Total \$
As at January 1, 2022	72,530	400,514	2,655,916	3,128,960
Excess of revenues over expenditures for the year	-	-	112,734	112,734
Internally restricted (released)	-	202,639	(202,639)	-
Acquisition of capital assets	110,339	-	(110,339)	-
Amortization and writeoff of capital assets	(60,494)	-	60,494	-
As at December 31, 2022	122,375	603,153	2516,166	3,241,694
Deficit of revenues over expenditures for the year	-	-	(290,769)	(290,769)
Internally restricted (released)	-	122,334	(122,334)	-
Acquisition of capital assets	56,983	-	(56,983)	-
Amortization and writeoff of capital assets	(58,271)	-	58,271	-
As at December 31, 2023	121,087	725,487	2,104,351	2,950,925

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

MS Canada – Quebec Division and Quebec Chapters

Combined Statement of Cash Flows

For the year ended December 31, 2023

	2023 \$	2022 \$
Cash flows from		
Operating activities		
Excess (deficit) of revenues over expenditures for the year	(290,769)	112,734
Adjustments for		
Variation in value of mutual fund investments	(3,617)	7,925
Amortization and writeoff of capital assets	58,271	60,494
Deferred contributions recognized in revenues	(5,734)	-
	<u>(241,849)</u>	<u>181,153</u>
Changes in non-cash working capital items		
Decrease (increase) in accounts receivable	(146,873)	8,077
Decrease (increase) in prepaid expenses	23,063	(1,891)
Decrease in accounts payable and accrued liabilities	(233,366)	(228,410)
Increase (decrease) in deferred revenues	(32,162)	214,878
	<u>(389,338)</u>	<u>(7,346)</u>
	<u>(631,187)</u>	<u>173,807</u>
Financing activities		
Payment of annuity	(3,768)	(3,287)
Payment of long-term debt	-	(60,000)
	<u>(3,768)</u>	<u>(63,287)</u>
Investing activities		
Acquisition of investments	-	(11,500)
Proceeds on sale of investments	-	11,500
Acquisition of capital assets	(56,983)	(110,339)
	<u>(56,983)</u>	<u>(110,339)</u>
Net increase (decrease) in cash during the year	(691,938)	181
Cash – Beginning of year	<u>4,459,540</u>	<u>4,459,359</u>
Cash – End of year	<u>3,767,602</u>	<u>4,459,540</u>

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

MS Canada – Quebec Division and Quebec Chapters

Notes to Combined Financial Statements

December 31, 2023

1 Organization

MS Canada – Division of Quebec (the Quebec Division) and 18 Quebec Chapters included in these combined financial statements were all incorporated under Part III of the Quebec Companies Act and work collaboratively for the purposes of providing services to people living with multiple sclerosis (MS) in Quebec, educating the public and financing medical research.

The Quebec Division and 17 Quebec Chapters are registered charitable organizations under the Income Tax Act (Canada). The remaining Chapter is a non-profit organization for the purposes of this legislation. The Quebec Division and the Quebec local sections are not subject to income tax.

2 Summary of significant accounting policies

Basis of accounting and presentation of combined financial statements

These combined financial statements have been prepared in accordance with Part III of the CPA Canada Handbook – Accounting – Accounting Standards for Not-for-Profit Organizations (ASNPO). They present the combined assets, liabilities, net assets and operations of the Quebec Division and the Quebec Chapters (collectively, the Society).

All inter-Society transactions and balances have been eliminated.

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 disclosure of contingent assets and liabilities reported in the combined financial statements and the reported amounts of revenues and expenditures for the year. Actual results could differ from those estimates.

Volunteer services and contributed materials and services

The work of the Society is dependent, among other things, on services provided by numerous volunteers. In addition, the Society may receive contributed materials and other 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.

MS Canada – Quebec Division and Quebec Chapters

Notes to Combined Financial Statements

December 31, 2023

Revenue recognition – Contributions

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 receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Inventory

Inventory is valued at the lower of cost and current replacement cost. Cost is generally determined on a first-in, first-out basis. Inventory comprises campaign and informational 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. Computer and office equipment is amortized over three- and five-year periods, respectively. Leasehold improvements are amortized over the residual life of the lease.

Net assets

Net assets, other than those invested in capital assets and those that are internally restricted, are unrestricted. Internally restricted net assets result from a resolution of the Board of Directors of certain Chapters (note 10). Investment income earned on the restricted assets is unrestricted. The Society does not have externally imposed restrictions on its capital, except for the Chapters subsidized by the Programme de soutien aux organismes communautaires (PSOC), which must observe certain restrictions relating to the accumulation of surplus.

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-raising activities, volunteer development and support, advocacy with governments, and stakeholder advocacy programs. The cost of each program includes 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. The expenses associated with these activities include the salaries of personnel responsible for these activities and directly related expenses.

Salary expenses are charged to the activity or activities for which the personnel are accountable for based on the allocation of time required to carry out their individual roles and responsibilities. The salary expenses 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.

MS Canada – Quebec Division and Quebec Chapters

Notes to Combined Financial Statements

December 31, 2023

In addition to these direct costs, a number of support expenditures are incurred that are shared among all activities. The support expenditures include office equipment, amortization of capital assets, office rent and occupancy costs, and audit fees. The Society attributes these program fees and activities based on the hours spent on programs and activities by its employees.

Salary expenses and support expenditures are attributed between programs and activities as follows:

			2023	2022
	Quebec Division \$	Quebec Chapters \$	Total \$	Total \$
Program spending	709,238	1,471,827	2,181,065	1,864,510
Fundraising expenditures	1,056,006	558,956	1,614,962	1,326,491
Administration	290,585	343,272	633,857	550,274
	2,055,829	2,374,055	4,429,884	3,741,275

Financial instruments

Measurement of financial instruments

The Society initially measures its financial assets and financial liabilities at fair value. The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for equity investments quoted in active markets, if any, which are measured at fair value. Changes in fair value are recognized in excess of revenues over expenditures for the year.

Financial assets measured at amortized cost consist of cash, accounts receivable and non-restricted investments, and financial assets measured at fair value consist of restricted investments. Financial liabilities measured at amortized cost consist of accounts payable and accrued liabilities, obligations under capital leases and annuity payable.

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.

MS Canada – Quebec Division and Quebec Chapters

Notes to Combined Financial Statements

December 31, 2023

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 revenues over expenditures for the year. 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 (deficit) of revenues over expenditures for the year.

3 Accounts receivable

	2023 \$	2022 \$
Receivable from the Multiple Sclerosis Society of Canada	287,489	384,449
PSOC receivable	35,832	6,846
Sales taxes receivable	283,692	154,417
Others	183,069	97,497
	<hr/> 790,082	<hr/> 643,209

The other accounts receivable consist principally of sponsorships receivable, receivables related to special events and donations.

MS Canada – Quebec Division and Quebec Chapters

Notes to Combined Financial Statements

December 31, 2023

4 Investments

	2023 \$	2022 \$
Restricted investments*		
Mutual funds – Initial restricted amount	52,000	52,000
Reduction in value in mutual fund investments	(13,375)	(12,742)
	38,625	39,258
Non-restricted investments		
Non-refundable guaranteed investment certificates	20,750	16,500
Others	1,306	1,306
	22,056	17,806
	60,681	57,064
Less: Current portion	11,072	6,822
	49,609	50,242

* These investments are restricted until 2026.

As at December 31, 2023, the non-redeemable guaranteed investment certificates bear interest at rates ranging between 4.35% and 4.55% (2022 – between 1.50% and 4.55%) and mature between December 2023 and 2025.

5 Capital assets

	2023		2022	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Computer and office equipment	399,511	(314,652)	84,859	104,839
Leasehold improvements	108,610	(72,382)	36,228	17,536
	508,121	(387,034)	121,087	122,375

MS Canada – Quebec Division and Quebec Chapters

Notes to Combined Financial Statements

December 31, 2023

6 Accounts payable and accrued liabilities

	2023 \$	2022 \$
Payable to the Multiple Sclerosis Society of Canada	916,010	1,257,439
Accounts payable and accrued liabilities	523,622	415,559
	<u>1,439,632</u>	<u>1,672,998</u>

7 Deferred revenues

Deferred revenues consist of government grants and amounts for which special conditions exist.

	2023 \$	2022 \$
Balance – Beginning of year	364,094	149,216
Revenues		
Amount recognized in the combined statement of revenues and expenditures	(167,995)	(32,200)
Amount received relating to the following year	135,833	247,078
Balance – End of year	<u>331,932</u>	<u>364,094</u>

8 Annuity payable

On September 29, 2016, the Society received a donation of mutual funds units from an individual for an amount of \$52,000. The donation consists of two parts as follows:

- An amount of \$19,300 that must be held for a minimum of 10 years, which has been recorded as a deferred contribution in the combined balance sheet; and
- An amount of \$32,700 for which the Society must retain the invested capital of the donation at Investors Group Financial Services Inc. until the annuity is fully paid to the donor and annuitant, i.e. 120 monthly payments of \$321 as of January 1, 2017.

MS Canada – Quebec Division and Quebec Chapters

Notes to Combined Financial Statements

December 31, 2023

	2023	2022
	\$	\$
Annuity payable, discounted at the implicit interest rate of 3.5% and maturing on December 1, 2026	10,591	14,358
Less: Current portion	3,404	3,403
	<u>7,187</u>	<u>10,955</u>

Future minimum payments of the annuity payable in the next three years are as follows:

	\$
2024	3,852
2025	3,852
2026	3,448
	<u>11,152</u>

9 Deferred contributions

Deferred contributions consist of donations received by the Society which are restricted by donors and which were not spent at the end of the fiscal year.

	2023	2022
	\$	\$
Balance – Beginning of year	57,592	57,592
Revenues		
Amount recognized in the combined statement of revenues and expenditures	(5,734)	-
Balance – End of year	<u>51,858</u>	<u>57,592</u>

MS Canada – Quebec Division and Quebec Chapters

Notes to Combined Financial Statements

December 31, 2023

10 Internally restricted net assets

The following amounts are internally restricted following a resolution by the Board of Directors of the Abitibi-Témiscamingue, Bas-Saint-Laurent, Centre-du Québec, Côte-Nord, Est de Montréal, Lac-Saint-Jean, Laurentides, Laval, Mauricie, Montérégie, Montréal and Saguenay Chapters:

	2023	2022
	\$	\$
Self-financing activities	119,886	134,362
Acquisition of computer and other equipment	32,430	33,272
Leasehold improvements	83,892	19,500
Development of partnerships with the community	172,025	131,389
Updating of databases	5,000	5,000
Improvement of services and hiring of people	207,224	219,100
Contribution to the 2023 mission	20,000	20,000
Training	23,530	40,530
Public education and awareness	13,000	-
Volunteer support	8,000	-
Strategic plan	38,000	-
Administration	2,500	-
	<hr/>	<hr/>
	725,487	603,153

11 Combined statement of revenues and expenditures

This account comprises part of the amounts provided in the combined statement of revenues and expenditures:

	2023	2022
	\$	\$
Amortization and writeoff of capital assets	58,271	60,494

MS Canada – Quebec Division and Quebec Chapters

Notes to Combined Financial Statements

December 31, 2023

12 Research funding

An important part of the Society's mission is to finance medical research on MS. This contribution is presented in Research and Research – Acts of greatness campaign in the combined statement of revenues and expenditures. The amount of the annual contribution to research is determined by the Board of Directors of the Quebec Division and each of the Quebec Chapters, taking into account their respective financial situation.

	2023 \$	2022 \$
Excess of revenues over expenditures for the year	194,231	1,312,734
Research	465,000	1,200,000
Research – Acts of greatness campaign	20,000	-
	<hr/>	<hr/>
Excess (deficit) after the contribution to research	(290,769)	112,734

During the year ended December 31, 2023, the Quebec Division and the Quebec Chapters received, on a combined basis, contributions from donors allocated to research amounting to \$122,000. Additionally, decisions by the boards of directors of some of the Quebec Chapters with positive net asset positions resulted in an additional contribution to research in the amount of \$363,000 during the year ended December 31, 2023.

13 Commitments and contingencies

Minimum rents for premises leased under long-term operating leases are as follows:

	\$
2024	245,834
2025	232,010
2026	223,812
2027	160,076
2028	140,828
Thereafter	178,772
	<hr/>
	1,181,332

Pursuant to the assignment of the office lease agreement by the Quebec Division, the Society remains a joint and several co-debtor until the termination of the original lease expiring June 30, 2032.

MS Canada – Quebec Division and Quebec Chapters

Notes to Combined Financial Statements

December 31, 2023

14 Financial instruments

Credit risk

Financial instruments that potentially subject the Society to credit risk consist of cash, accounts receivable and investments. The Society has deposited its cash with reputable financial institutions. Accounts receivable primarily consist of amounts receivable from the Multiple Sclerosis Society of Canada and government entities. Management therefore considers that there is no credit risk as at December 31, 2023.

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 is exposed to market risk relating to its investment in units of a mutual fund which is invested in US equities; however, this risk is limited given that the amount invested is not significant.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial obligations. The Society is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, obligations under capital leases, annuity payable and commitments for the rental of its premises. The Society minimizes this risk through an annual budget process and rigorous follow-up.