

# **Multiple Sclerosis Society of Canada**

Combined Financial Statements  
**December 31, 2011**  
(in thousands of dollars)



June 1, 2012

## **Independent Auditor's Report**

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

We have audited the accompanying combined financial statements of the Multiple Sclerosis Society of Canada, which comprise the combined balance sheet as at December 31, 2011 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 generally accepted accounting principles, 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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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



**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, 2011 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

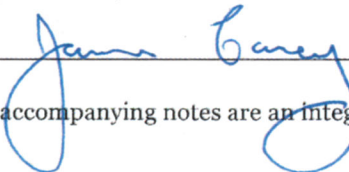
As at December 31, 2011

(in thousands of dollars)

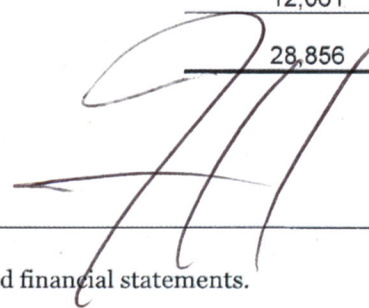
	2011 \$	2010 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	13,492	13,329
Short-term investments	192	188
Accounts receivable	2,568	2,892
Prepaid expenses and supplies	974	1,154
	<u>17,226</u>	<u>17,563</u>
<b>Investments</b> (note 3)	7,988	10,063
<b>Capital assets</b> (note 4)	<u>3,642</u>	<u>3,990</u>
	<u>28,856</u>	<u>31,616</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	2,052	2,884
Research grants payable	5,130	5,086
Payable to Multiple Sclerosis Scientific Research Foundation (note 5)	2,461	2,186
Deferred revenue (note 6)	2,405	2,036
Deferred lease inducement	64	64
Deferred capital contributions (note 7)	173	173
	<u>12,285</u>	<u>12,429</u>
<b>Long-term liabilities</b>		
Deferred lease inducement	850	954
Deferred capital contributions (note 7)	876	1,020
Research grants payable (note 8)	2,784	2,274
	<u>4,510</u>	<u>4,248</u>
<b>Net assets</b>		
Restricted for endowment purposes	444	467
Internally restricted for research program (note 9)	3,054	3,054
Internally restricted for other purposes	1,576	1,556
Unrestricted	6,987	9,862
	<u>12,061</u>	<u>14,939</u>
	<u>28,856</u>	<u>31,616</u>

**Commitments** (note 12)

**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 Statement of Revenue and Expenditures**  
**For the year ended December 31, 2011**

(in thousands of dollars)

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		
Leadership giving activity		
Bequests	2,930	3,032
endMS Research & Training Network	1,826	2,102
Corporate giving and major donors	1,592	1,585
Grants from governments	1,361	1,344
Grants from pharmaceutical companies	567	407
Other grants	588	933
	<hr/>	<hr/>
	8,864	9,403
Community based fundraising events	24,052	27,180
Individual giving and direct marketing	14,999	17,088
Dinners, tournaments and third party events	5,374	4,579
Gaming	1,611	1,569
Sale of goods	316	349
United Way and HealthPartners	1,717	1,727
Public awareness activities	1,179	1,304
Investment income	23	1,023
Miscellaneous	284	306
Memberships	86	79
	<hr/>	<hr/>
	58,505	64,607
	<hr/>	<hr/>
<b>Fundraising expenditures</b>		
Leadership giving	1,714	1,925
Community based fundraising events	9,764	10,934
Individual giving and direct marketing	8,304	10,616
Dinners, tournaments and third party events	1,884	1,706
Gaming	355	340
Cost of goods sold	203	236
Indirect fundraising	1,790	1,564
	<hr/>	<hr/>
	24,014	27,321
	<hr/>	<hr/>
<b>Program and administration expenditures</b>		
Client services	9,735	9,640
Research	7,629	7,118
Research - endMS Research & Training Network	2,195	2,442
Research - CCSVI (note 9)	-	699
Public education and awareness	6,857	6,995
Chapter and volunteer support and development	4,031	3,762
Government and community relations	1,693	1,690
MS Clinics	1,096	922
Administration	4,137	4,130
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	37,373	37,398
	<hr/>	<hr/>
	61,387	64,719
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<b>Deficiency of revenue over expenditures for the year</b>	<b>(2,882)</b>	<b>(112)</b>

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, 2011

(in thousands of dollars)

	<b>2011</b>				
	<b>Restricted for endowment purposes \$</b>	<b>Internally restricted for research programs \$</b>	<b>Internally restricted for other purposes \$</b>	<b>Unrestricted \$</b>	<b>Total \$</b>
<b>Balance - Beginning of year</b>	467	3,054	1,556	9,862	14,939
Deficiency of revenue over expenditures for the year	-	-	20	(2,902)	(2,882)
Interfund transfers	(27)	-	-	27	-
Interest earned on endowment contributions	4	-	-	-	4
<b>Balance - End of year</b>	<b>444</b>	<b>3,054</b>	<b>1,576</b>	<b>6,987</b>	<b>12,061</b>
	<b>2010</b>				
	<b>Restricted for endowment purposes \$</b>	<b>Internally restricted for research programs \$</b>	<b>Internally restricted for other purposes \$</b>	<b>Unrestricted \$</b>	<b>Total \$</b>
<b>Balance - Beginning of year</b>	483	3,554	1,470	9,540	15,047
Deficiency of revenue over expenditures for the year	-	(500)	6	382	(112)
Interfund transfers	(20)	-	80	(60)	-
Interest earned on endowment contributions	4	-	-	-	4
<b>Balance - End of year</b>	<b>467</b>	<b>3,054</b>	<b>1,556</b>	<b>9,862</b>	<b>14,939</b>

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

# Multiple Sclerosis Society of Canada

## Combined Statement of Cash Flows

For the year ended December 31, 2011

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(in thousands of dollars)

	2011 \$	2010 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Deficiency of revenue over expenditures for the year	(2,882)	(112)
Non-cash items		
Amortization of capital assets	737	635
Amortization of deferred capital contributions	(174)	(196)
Amortization of deferred lease inducements	(104)	(64)
Net changes in non-cash working capital	316	(1,616)
Research grants payable	554	1,878
	<hr/>	<hr/>
	(1,553)	525
<b>Investing activities</b>		
Net change in short-term investments	(4)	5
Proceeds from sale of marketable securities	2,086	2,305
Purchase of marketable securities	(11)	(967)
Purchase of capital assets	(389)	(819)
	<hr/>	<hr/>
	1,682	524
<b>Financing activities</b>		
Lease inducement received	-	293
Interest earned on endowment contributions	4	4
Deferred capital contributions received	30	59
	<hr/>	<hr/>
	34	356
<b>Increase in cash and cash equivalents during the year</b>	163	1,405
<b>Cash and cash equivalents - Beginning of year</b>	13,329	11,924
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<b>Cash and cash equivalents - End of year</b>	13,492	13,329
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The accompanying notes are an integral part of these combined financial statements.

# Multiple Sclerosis Society of Canada

## Notes to Combined Financial Statements

December 31, 2011

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(in thousands of dollars)

### 1 Nature of operations

The Multiple Sclerosis Society of Canada (MS Society or the Society) is incorporated under the laws of Canada. The organization is a registered charity under the Income Tax Act and is therefore exempt from income taxes and may issue official donation receipts for income tax purposes to donors. 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 is comprised of seven divisions, their chapters and a national office.

### 2 Summary of significant accounting policies

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 MS Society, 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, Chaudiere-Appplanche Chapter, Cote-Nord Chapter, Estrie Chapter, Granby and Regions Chapter, Lac-St-Jean Chapter, Lanaudiere Chapter, Laurentides Chapter, Laval Chapter, Manicouagan Chapter, Mauricie Chapter, Monteregion Chapter, Montreal Chapter, Outaouais Chapter, Montreal East Chapter, Region of Quebec Chapter, St-Hyacinthe-Acton Chapter, Sorel-Tracy Chapter and Therese-de-Blainville / Basses-Laurentides Chapter.

The Multiple Sclerosis Society of Canada includes the accounts of the divisions, which are in Alberta and the Northwest Territories, the Atlantic provinces, British Columbia and Yukon, 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 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 upon 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.

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 Combined Financial Statements

December 31, 2011

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(in thousands of dollars)

The Society classifies its financial instruments as identified below into the following categories based on the purpose for which the asset was acquired or the liability incurred:

<b>Assets/liabilities</b>	<b>Category</b>	<b>Measurement</b>
Cash and cash equivalents	held-for-trading	fair value
Accounts receivable	loans and receivables	amortized cost
Short-term investments	held-for-trading	fair value
Investments	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 that are classified as held-for-trading are comprised of investments in various mutual funds held by Phillips, Hager & North (note 3). They are carried in the combined balance sheet at fair value with changes in fair value recognized in the combined statement of revenue and expenditures and 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 (CICA) Handbook Section 3861, Financial Instruments - Disclosure and Presentation in place of CICA Section 3862, Financial Instruments - Disclosures, and CICA 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

For capital assets that are amortized on a straight-line basis, amortization is one-half of the above rates in the year of acquisition.

### **Research grants payable**

Three peer review committees, consisting of the Biomedical Research Review 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 oversight and the National Board 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 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.

# Multiple Sclerosis Society of Canada

## Notes to Combined Financial Statements

December 31, 2011

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(in thousands of dollars)

### **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 which 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.

### **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 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 which relate 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.

# Multiple Sclerosis Society of Canada

## Notes to Combined Financial Statements

December 31, 2011

(in thousands of dollars)

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.

### Contribution 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 Canadian generally accepted accounting principles 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.

## 3 Investments

Investments are comprised of the following:

	2011 \$	2010 \$
Pooled funds held with Phillips, Hager and North	7,858	9,945
Provincial bonds	123	113
Other	7	5
	<u>7,988</u>	<u>10,063</u>

As at December 31, 2011, funds held with Phillips, Hager & North consist of: \$79 (2010 - \$36) in money market funds; \$3,974 (2010 - \$4,820) in Canadian fixed income funds; \$1,829 (2010 - \$2,524) in Canadian equity funds; and \$1,976 (2010 - \$2,565) in foreign equity funds. For the 12 months ended December 31, 2011, the total return generated by Phillips, Hager and North was (0.9)% (2010 - 9.8%).

## 4 Capital assets

	2011		
	Cost \$	Accumulated amortization \$	Net \$
Office equipment, computer equipment and software	6,204	5,441	763
Buildings	1,452	601	851
Leasehold improvements	3,338	1,872	1,466
Land	562	-	562
	<u>11,556</u>	<u>7,914</u>	<u>3,642</u>

# Multiple Sclerosis Society of Canada

## Notes to Combined Financial Statements

December 31, 2011

(in thousands of dollars)

	<b>2010</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</b>	
Office equipment, computer equipment and software	5,848	5,087	761
Buildings	1,445	528	917
Leasehold improvements	3,312	1,562	1,750
Land	562	-	562
	<u>11,167</u>	<u>7,177</u>	<u>3,990</u>

### 5 Payable to Multiple Sclerosis Scientific Research Foundation

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Balance - Beginning of year	2,186	3,841
Amounts authorized during the year	2,461	2,710
Amounts paid during the year	<u>(2,186)</u>	<u>(4,365)</u>
Balance - End of year	<u>2,461</u>	<u>2,186</u>

Included in the amounts authorized above is \$266 (2010 - \$nil) restricted for the ongoing research funded by the Multiple Sclerosis Scientific Research Foundation (the Foundation) and \$2,195 (2010 - \$2,710) 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 75% (2010 - 51%) of its revenue from the Society.

### 6 Deferred revenue

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Balance - Beginning of year	2,036	2,262
Add: Amounts received in the year	2,248	2,019
Less: Amounts recognized during the year	<u>(1,879)</u>	<u>(2,245)</u>
Balance - End of year	<u>2,405</u>	<u>2,036</u>

# Multiple Sclerosis Society of Canada

## Notes to Combined Financial Statements

December 31, 2011

(in thousands of dollars)

### 7 Deferred capital contributions

	2011 \$	2010 \$
Balance - Beginning of year	1,193	1,330
Add: Amounts received in the year	30	59
Less: Amounts recognized during the year	(174)	(196)
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Balance - End of year	1,049	1,193
Less: Current portion	173	173
	<hr/>	<hr/>
	876	1,020

### 8 Long-term research grants payable

Amounts designated to fund research projects are payable as follows:

	2011 \$	2010 \$
Long-term portion of research grants payable in the years ending		
December 31, 2012	2,182	1,931
December 31, 2013	602	343
	<hr/>	<hr/>
	2,784	2,274

### 9 Restricted research funds

In fiscal 2010, a research expenditure of \$699 was recorded with a restriction to fund research into chronic cerebrospinal venous insufficiency (CCSVI). \$199 of \$699 came from funds raised through MS Society fundraising events, net of direct expenditures, with the remaining \$500 coming from net assets restricted for research funding. No additional funding for CCSVI research was approved in fiscal 2011 as the research activity approved in fiscal 2010 began in July 2010 and will continue until June 2012. Funds received in fiscal 2011 with a restriction for CCSVI research (\$92) have been treated as deferred revenue. They will be recognized as revenue when additional expenditures on CCSVI research are committed in 2012 as part of the MS Society's commitment to the phase I/II interventional clinical trial for CCSVI in MS, organized in collaboration with the federal government and approved by the Canadian Institutes of Health Research (CIHR), subject to ethics approval.

### 10 Allocation of expenses

Shared support expenditures have been allocated as follows:

	2011 \$	2010 \$
Program and administration expenditures	2,119	2,289
Fundraising expenditures	1,309	1,391
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	3,428	3,680

# Multiple Sclerosis Society of Canada

Notes to Combined Financial Statements

December 31, 2011

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(in thousands of dollars)

## 11 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.

## 12 Commitments

The Society has leased office premises and equipment for terms expiring in various years to 2020. Future minimum lease payments are as follows:

	\$
2012	1,176
2013	1,036
2014	922
2015	846
2016	515
Thereafter	<u>656</u>
	<u>5,151</u>

## 13 Comparative figures

Certain 2010 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.