

Multiple Sclerosis Society of Canada

Combined Financial Statements
**December 31, 2012, December 31, 2011
and January 1, 2011**

May 29, 2013

Independent Auditor's Report

To the Members of Multiple Sclerosis Society of Canada

We have audited the accompanying combined financial statements of Multiple Sclerosis Society of Canada, which comprise the combined statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011 and the combined statements of revenue and expenditures, changes in net assets and cash flows for the years ended December 31, 2012 and December 31, 2011, 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 audits. We conducted our audits 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 in our audits 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, 2012, December 31, 2011 and January 1, 2011 and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

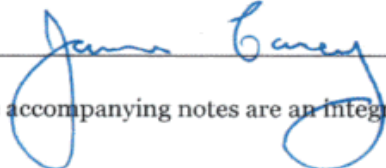
Multiple Sclerosis Society of Canada

Combined Statements of Financial Position

(in thousands of dollars)

	December 31, 2012 \$	December 31, 2011 \$ (note 2)	January 1, 2011 \$ (note 2)
Assets			
Current assets			
Cash	12,719	13,492	13,329
Short-term investments	173	192	188
Accounts receivable (note 6)	2,307	2,568	2,892
Prepaid expenses and supplies	864	974	1,154
	16,063	17,226	17,563
Investments (note 4)	9,222	7,988	10,063
Capital assets (note 5)	2,772	3,210	3,653
Intangible assets	335	432	337
	28,392	28,856	31,616
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (note 11)	2,256	2,052	2,884
Research grants payable	4,627	5,130	5,086
Payable to Multiple Sclerosis Scientific Research Foundation (note 6)	2,105	2,461	2,186
Deferred revenue (note 7)	2,179	2,405	2,036
	11,167	12,048	12,192
Long-term liabilities			
Deferred lease inducement	780	914	1,018
Deferred capital contributions (note 8)	905	1,049	1,193
Research grants payable (note 9)	3,017	2,784	2,274
	4,702	4,747	4,485
Net assets			
Restricted for endowment purposes	496	444	467
Internally restricted for research programs	3,685	3,054	3,054
Internally restricted for other purposes	388	1,576	1,556
Unrestricted	7,954	6,987	9,862
	12,523	12,061	14,939
	28,392	28,856	31,616
Commitments (note 12)			

Approved by the Board of Directors


James Carey

Director



Director

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

Multiple Sclerosis Society of Canada
Combined Statements of Revenue and Expenditures
For the years ended December 31, 2012 and December 31, 2011

(in thousands of dollars)

	2012	2011
	\$	\$
Revenue		
Leadership giving activity		
Bequests	2,798	2,930
endMS Research & Training Network	1,919	1,826
Corporate giving and major donors	1,659	1,592
Grants from governments	1,337	1,361
Grants from pharmaceutical companies	743	567
Other grants	636	680
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	9,092	8,956
Community based fundraising events	23,668	23,960
Individual giving and direct marketing	14,649	14,880
Dinners, tournaments and third party events	5,607	5,374
Gaming	1,599	1,611
Sale of goods	314	316
United Way and HealthPartners	1,840	1,836
Public awareness activities	1,025	1,179
Miscellaneous	286	284
Memberships	81	86
Investment income	475	526
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	58,636	59,008
Fundraising expenditures		
Leadership giving	1,541	1,714
Community based fundraising events	8,930	9,764
Individual giving and direct marketing	8,473	8,304
Dinners, tournaments and third party events	1,761	1,884
Gaming	410	355
Cost of goods sold	194	203
Indirect fundraising	1,959	1,790
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	23,268	24,014
Program and administration expenditures		
Client services	9,393	9,735
Research	7,202	7,629
Research - endMS Research & Training Network	1,800	2,195
Public education and awareness	6,225	6,857
Chapter and volunteer support and development	3,719	4,031
Government and community relations	1,707	1,693
MS Clinics	1,017	1,096
Administration	3,962	4,137
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	35,025	37,373
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	58,293	61,387
Excess (deficiency) of revenue over expenditures before the undernoted	343	(2,379)
Fair value change in investments	288	(503)
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Excess (deficiency) of revenue over expenditures for the year	631	(2,882)

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

Multiple Sclerosis Society of Canada

Combined Statements of Changes in Net Assets

For the years ended December 31, 2012 and December 31, 2011

(in thousands of dollars)

	2012				
	Restricted for endowment purposes \$	Internally restricted for research programs \$	Internally restricted for other purposes \$	Unrestricted \$	Total \$
Balance - Beginning of year	444	3,054	1,576	6,987	12,061
Excess of revenue over expenditures for the year	-	-	43	588	631
Interfund transfers	48	631	(1,091)	412	-
Interest earned on endowment contributions	4	-	-	-	4
Removal of net assets of Estrie Multiple Sclerosis Association (note 3)	-	-	(140)	(33)	(173)
Balance - End of year	496	3,685	388	7,954	12,523
	2011				
	Restricted for endowment purposes \$	Internally restricted for research programs \$	Internally restricted for other purposes \$	Unrestricted \$	Total \$
Balance - Beginning of year	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
Balance - End of year	444	3,054	1,576	6,987	12,061

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

Multiple Sclerosis Society of Canada
Combined Statements of Cash Flows
For the years ended December 31, 2012 and December 31, 2011

(in thousands of dollars)

	2012	2011
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenditures for the year	631	(2,882)
Non-cash items		
Amortization of capital assets	534	555
Amortization of intangible assets	139	182
Amortization of deferred capital contributions	(144)	(174)
Amortization of deferred lease inducements	(134)	(104)
Net changes in non-cash working capital	(7)	316
Fair value change in investments	(288)	503
Reinvested investment income	(280)	(370)
Research grants payable	(270)	554
	<u>181</u>	<u>(1,420)</u>
Investing activities		
Purchase of short-term investments	-	(23)
Proceeds on sale of short-term investments	19	19
Proceeds on sale of investments	379	1,953
Acquisition of investments	(1,045)	(11)
Acquisition of capital assets	(96)	(112)
Acquisition of intangible assets	(42)	(277)
Removal of Estrie Multiple Sclerosis Association	(173)	-
	<u>(958)</u>	<u>1,549</u>
Financing activities		
Interest earned on endowment contributions	4	4
Deferred capital contributions received	-	30
	<u>4</u>	<u>34</u>
Increase (decrease) in cash during the year	(773)	163
Cash - Beginning of year	<u>13,492</u>	<u>13,329</u>
Cash - End of year	<u>12,719</u>	<u>13,492</u>

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

Multiple Sclerosis Society of Canada

Notes to Combined Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

(in thousands of dollars)

1 Nature of operations

The Multiple Sclerosis Society of Canada (MS Society or the Society) is incorporated under the laws of Canada. The Society is a registered charity under the Income Tax Act and is therefore exempt from income taxes and may issue official donation receipts for income tax purposes. Its mission is to be a leader in finding a cure for multiple sclerosis (MS) and to enable people affected by MS to enhance their quality of life. The Society is comprised of seven divisions, their chapters and a national office.

2 Adoption of accounting standards for not-for-profit organizations

Effective January 1, 2012, the Society elected to adopt Canadian accounting standards for not-for-profit organizations (ASNPO) as issued by the Canadian Accounting Standards Board. The accounting policies selected under this framework have been applied consistently and retrospectively as if these policies had always been in effect.

The Society has elected to use the following exemptions:

- a) In accordance with ASNPO transitional provisions, the Society has elected to measure its research grants payable at fair value, with subsequent changes in fair value to be recognized in the combined statements of revenue and expenditures and changes in net assets.
- b) In accordance with ASNPO transitional provisions, the Society has elected to measure its investments at fair value, with subsequent changes in fair value to be recognized in the combined statements of revenue and expenditures and changes in net assets.

There were no adjustments to the combined statements of financial position or the combined statements of revenue and expenditures, changes in net assets and cash flows.

3 Summary of significant accounting policies

Basis of presentation

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 MS Society that have separate legal status:

Abitibi-Temiscamingue Chapter, Banlieue West Chapter, Bas-Saint-Laurent Chapter, Centre of Quebec Chapter, Chaudiere-Appalache Chapter, Cote-Nord Chapter, Granby and Regions Chapter, Lac-St-Jean Chapter, Lanaudiere Chapter, Laurentides Chapter, Laval Chapter, Manicouagan Chapter, Mauricie Chapter, Monteregie Chapter, Montreal Chapter, Outaouais Chapter, Montreal East Chapter, Region of Quebec Chapter, St-Hyacinthe-Acton Chapter, Sorel-Tracy Chapter and Therese-de-Blainville/Basses-Laurentides Chapter.

Multiple Sclerosis Society of Canada

Notes to Combined Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

(in thousands of dollars)

Effective January 1, 2012 the Estrie Chapter, also known as the Estrie Multiple Sclerosis Association of the MS Society, disaffiliated from the Multiple Sclerosis Society of Canada. The cash and net asset balances have been reduced for the removal of the amounts related to the Estrie Chapter. The combined statement of financial position as at December 31, 2012 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 Estrie Chapter.

The Society 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-organizational balances and transactions.

Revenue recognition

The Society recognizes unrestricted contributions as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Donations and grants received from contributors, which have attached special provisions for their use, are deferred on receipt and subsequently recognized as revenue when the related specified expenditures are made. Capital contributions are deferred and recognized as revenue as the related costs and capital amortization are recorded as expenditures. Other revenue is recognized when earned. Bequests are accounted for when received. Endowment contributions and income thereon are recognized as direct increases in net assets.

Financial assets and liabilities

The Society initially measures its financial assets and financial liabilities at fair value. The Society subsequently measures all its financial assets and liabilities at amortized cost with the exception of investments and research grants payable, which have been elected to be measured at fair value as described in note 2. Changes in fair value are recognized in the combined statements of revenue and expenditures.

Financial assets measured at amortized cost include cash, accounts receivable and short-term investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and payable to Multiple Sclerosis Scientific Research Foundation (the Foundation).

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

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at their fair value at the date of contribution. Amortization is provided over the assets' estimated useful lives as follows:

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

Multiple Sclerosis Society of Canada

Notes to Combined Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

(in thousands of dollars)

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

Intangible assets

Intangible assets are comprised of computer software, which is recorded at cost, less accumulated amortization and any impairment in value. Computer software assets are amortized using the straight-line method over a period of three years. In the year of acquisition, only one-half of the annual rate is applied in the calculation of amortization expense.

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. Research grants payable in future years are recorded as a liability and expensed in the year of approval. Ongoing monitoring of research progress occurs on a continuing basis as part of an overall commitment to monitoring and accountability. Since research grants are usually multi-year commitments, changes in project commitments are adjusted to the research grant expense in the year they occur.

Deferred lease inducements

Lease inducements received by the Society are deferred and amortized as an adjustment to rent expense over the term of the lease on a straight-line basis.

Funds restricted for endowment purposes

The Society has received funds with externally imposed restrictions stipulating that the resources received be maintained permanently while the investment income on those amounts must be used for specific purposes.

Internally restricted funds

The Society has funds that have been internally restricted by the Board of Directors at the national, divisional or chapter level for the following purposes:

- Research program

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

- Other purposes

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

Multiple Sclerosis Society of Canada

Notes to Combined Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

(in thousands of dollars)

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 of and cure for MS, public education and awareness activities, volunteer development and support, government relations, and stakeholder advocacy programs. The costs of each program include the costs of personnel responsible for delivering these programs as well as expenditures that are directly related to conducting these programs.

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

Where personnel have responsibilities relating to more than one functional area, the costs are charged to each area based on time spent on each function. The charges related to personnel costs are reviewed on an annual basis as part of the budgeting process and adjustments are made during the year for significant changes in an individual's area of responsibility.

In addition to these costs, a number of support expenditures are incurred that are shared between all areas. These include expenses relating to office equipment, amortization of capital assets, office rent and occupancy costs, insurance, office supplies, outside services (such as payroll processing), telephone system expenses, and audit fees. The Society charges all support costs to each area based on the relative head count for each area.

Contributed services and non-capital assets

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

Use of estimates

The preparation of combined financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Multiple Sclerosis Society of Canada

Notes to Combined Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

(in thousands of dollars)

4 Investments

Investments comprise of the following:

	2012	2011
	\$	\$
Pooled funds held with Phillips, Hager & North:		
Mortgage Pension Trust, Series O	2,257	2,300
Bond Fund, Series O	1,555	1,674
Canadian Equity Fund, Series O	2,058	1,829
Overseas Equity Fund, Series O	410	344
Hedged Overseas Equity, Series O	433	355
US Equity Fund, Series O	671	657
Hedged US Equity, Series O	651	620
Short-term Bond & Mortgage Fund	1,005	-
Canadian Money Market Fund, Series O	37	79
Funds held by other institutions:		
Guaranteed investment certificates	142	123
Other	3	7
	<u>9,222</u>	<u>7,988</u>

For the 12 months ended December 31, 2012, the total return generated by Phillips, Hager & North was 8.1% (2011 - 0.9%).

5 Capital assets

	2012		
	Cost	Accumulated	Net
	\$	\$	\$
Office and computer equipment	3,066	2,821	245
Buildings	1,454	674	780
Leasehold improvements	3,370	2,185	1,185
Land	562	-	562
	<u>8,452</u>	<u>5,680</u>	<u>2,772</u>
	2011		
	Cost	Accumulated	Net
	\$	\$	\$
Office and computer equipment	3,004	2,673	331
Buildings	1,452	601	851
Leasehold improvements	3,338	1,872	1,466
Land	562	-	562
	<u>8,356</u>	<u>5,146</u>	<u>3,210</u>

Multiple Sclerosis Society of Canada

Notes to Combined Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

(in thousands of dollars)

6 Payable to the Foundation

	2012	2011
	\$	\$
Balance - Beginning of year	2,461	2,186
Add: Amounts authorized during the year	2,105	2,461
Less: Amounts paid during the year	(2,461)	(2,186)
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Balance - End of year	2,105	2,461
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Included in the amounts authorized above is \$305 (2011 - \$266) restricted for the ongoing research funded by the Multiple Sclerosis Scientific Research Foundation (the Foundation) and \$1,800 (2011 - \$2,195) restricted for the endMS Research & Training Network.

The Society received a grant from the Foundation of \$110 (2011 - \$198) related to the endMS campaign. On behalf of the Foundation, the Society paid the endMS Research & Training Network's expenses, professional fees and miscellaneous expenses of \$1,479 (2011 - \$1,872). At year-end, \$210 (2011 - \$385) is remaining in accounts receivable.

The Foundation is an organization established to carry on and promote scientific research in or related to MS. It is incorporated under the Canada Corporations Act and is a registered charity under the Income Tax Act (Canada). The Foundation has two common directors with the Society and receives 74% (2011 - 75%) of its revenue from the Society. The Society provides overhead and administrative services to the Foundation for an annual charge of \$18 (2011 - \$20).

7 Deferred revenue

	2012	2011
	\$	\$
Balance - Beginning of year	2,405	2,036
Add: Amounts received in the year	1,640	2,248
Less: Amounts recognized during the year	(1,866)	(1,879)
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Balance - End of year	2,179	2,405
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8 Deferred capital contributions

	2012	2011
	\$	\$
Balance - Beginning of year	1,049	1,193
Add: Amounts received in the year	-	30
Less: Amounts recognized during the year	(144)	(174)
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Balance - End of year	905	1,049
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Notes to Combined Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

(in thousands of dollars)

9 Long-term research grants payable

Amounts designated to fund research projects are payable as follows:

	2012	2011
	\$	\$
Long-term portion of research grants payable in the years ending		
2014	2,352	2,182
2015	665	602
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	3,017	2,784
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The fair value change in research grants payable was \$43 (2011 - \$82), which has been recorded in research expenses in the statements of revenue and expenditures.

10 Allocation of expenses

Shared support expenditures have been allocated as follows:

	2012	2011
	\$	\$
Program and administration expenditures	1,726	2,119
Fundraising expenditures	1,532	1,309
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	3,258	3,428
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11 Government remittances payable

As at year-end, the Society had remittances payable to the government of \$194 (2011 - \$200). This represents payroll withholdings that were deducted in December 2012 and remitted in January 2013.

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:

	\$
2013	1,585
2014	1,404
2015	1,279
2016	973
2017	691
Thereafter	1,384
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	7,316
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