

# **Multiple Sclerosis Society of Canada**

Combined Financial Statements  
**December 31, 2013**



May 28, 2014

## **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 statement of financial position as at December 31, 2013 and the combined statements of revenue and expenditures, changes in net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the combined financial statements**

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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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**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, 2013 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.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

# Multiple Sclerosis Society of Canada

## Combined Statement of Financial Position

As at December 31, 2013

(in thousands of dollars)

	2013 \$	2012 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	12,840	12,719
Short-term investments	251	173
Accounts receivable (note 5)	3,630	2,307
Prepaid expenses and supplies	965	864
	<hr/> 17,686	<hr/> 16,063
<b>Investments</b> (note 3)	7,581	9,222
<b>Capital assets</b> (note 4)	3,390	2,772
<b>Intangible assets</b>	298	335
	<hr/> 28,955	<hr/> 28,392
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	3,697	2,256
Research grants payable	4,376	4,627
Payable to Multiple Sclerosis Scientific Research Foundation (note 5)	2,484	2,105
Deferred revenue (note 6)	2,145	2,179
	<hr/> 12,702	<hr/> 11,167
<b>Deferred lease inducement</b>	420	780
<b>Deferred capital contributions</b> (note 7)	1,409	905
<b>Research grants payable</b> (note 8)	2,930	3,017
	<hr/> 4,759	<hr/> 4,702
<b>Net Assets</b>		
<b>Restricted for endowment purposes</b>	495	496
<b>Internally restricted for research programs</b>	3,685	3,685
<b>Internally restricted for other purposes</b>	377	388
<b>Unrestricted</b>	6,937	7,954
	<hr/> 11,494	<hr/> 12,523
<b>Commitments</b> (note 12)	28,955	28,392

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, 2013**

(in thousands of dollars)

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		
Leadership giving activity		
Bequests	2,487	2,798
endMS Research & Training Network	1,232	1,919
Corporate giving and major donors	2,043	1,659
Grants from governments	1,348	1,337
Grants from pharmaceutical companies	767	743
Other grants	825	636
	<hr/>	<hr/>
	8,702	9,092
Community based fundraising events	22,554	23,668
Individual giving and direct marketing	13,815	14,649
Dinners, tournaments and third party events	6,383	5,607
Gaming	1,467	1,599
Sale of goods	277	314
United Way and HealthPartners	1,661	1,840
Public awareness activities	1,007	1,025
Miscellaneous	253	286
Memberships	73	81
Investment income	615	475
	<hr/>	<hr/>
	56,807	58,636
	<hr/>	<hr/>
<b>Fundraising expenditures</b>		
Leadership giving	1,936	1,541
Community based fundraising events	8,590	8,930
Individual giving and direct marketing	8,436	8,473
Dinners, tournaments and third party events	1,967	1,761
Gaming	247	410
Cost of goods sold	160	194
Indirect fundraising	1,851	1,959
	<hr/>	<hr/>
	23,187	23,268
	<hr/>	<hr/>
<b>Program and administration expenditures</b>		
Client services	9,223	9,393
Research	6,653	7,202
Research - endMS Research & Training Network	1,457	1,800
Public education and awareness	6,453	6,225
Chapter and volunteer support and development	4,152	3,719
Government and community relations	1,893	1,707
MS Clinics	1,030	1,017
Administration	4,234	3,962
	<hr/>	<hr/>
	35,095	35,025
	<hr/>	<hr/>
	58,282	58,293
	<hr/>	<hr/>
<b>(Deficiency) excess of revenue over expenditures before the undernoted</b>	(1,475)	343
<b>Fair value change in investments</b>	526	288
	<hr/>	<hr/>
<b>(Deficiency) excess of revenue over expenditures for the year</b>	(949)	631
	<hr/>	<hr/>

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, 2013

(in thousands of dollars)

	<b>2013</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>	496	3,685	388	7,954	12,523
Deficiency of revenue over expenditures for the year	-	-	-	(949)	(949)
Interfund transfers	(5)	-	(11)	16	-
Interest earned on endowment contributions	4	-	-	-	4
Removal of net assets of Granby and Region and Sorel-Tracy Chapters (note 2)	-	-	-	(84)	(84)
<b>Balance - End of year</b>	<b>495</b>	<b>3,685</b>	<b>377</b>	<b>6,937</b>	<b>11,494</b>
	<b>2012</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>	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 2)	-	-	(140)	(33)	(173)
<b>Balance - End of year</b>	<b>496</b>	<b>3,685</b>	<b>388</b>	<b>7,954</b>	<b>12,523</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, 2013

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(in thousands of dollars)

	2013 \$	2012 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
(Deficiency) excess of revenue over expenditures for the year	(949)	631
Non-cash items		
Amortization of capital assets	632	534
Amortization of intangible assets	119	139
Amortization of deferred capital contributions	(245)	(144)
Amortization of deferred lease inducements	(360)	(134)
Net book value of leasehold improvements written off	263	-
Fair value change in investments	(526)	(288)
Reinvested investment income	(344)	(280)
Net change in non-cash working capital (note 11)	1,111	(7)
Research grants payable	(338)	(270)
	<hr/>	<hr/>
	(637)	181
<b>Investing activities</b>		
Purchase of short-term investments	(78)	-
Proceeds on sale of short-term investments	-	19
Proceeds on sale of investments	2,674	379
Acquisition of investments	(163)	(1,045)
Acquisition of capital assets	(1,513)	(96)
Acquisition of intangible assets	(82)	(42)
	<hr/>	<hr/>
	838	(785)
<b>Financing activities</b>		
Interest earned on endowment contributions	4	4
	<hr/>	<hr/>
<b>Increase (decrease) in cash during the year</b>	205	(600)
<b>Removal of net assets of Granby and Region and Sorel-Tracy Chapters</b> (2012 - Estrie Multiple Sclerosis Association)	(84)	(173)
<b>Cash - Beginning of year</b>	<hr/>	<hr/>
	12,719	13,492
<b>Cash - End of year</b>	<hr/>	<hr/>
	12,840	12,719

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

# Multiple Sclerosis Society of Canada

## Notes to Combined Financial Statements

December 31, 2013

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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 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 operates through a number of incorporated entities that all contribute to a common mission. The Society is comprised of six divisions, which are Alberta and the Northwest Territories, the Atlantic Provinces, British Columbia and Yukon, Manitoba, Ontario and Nunavut and, Saskatchewan, and all of the Chapters within their divisional boundaries and operates in the Province of Quebec through Affiliation Agreements with a number of incorporated entities.

### 2 Summary of significant accounting policies

#### Basis of presentation

These combined financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

These combined financial statements represent the assets, liabilities, net assets and operations of the MS Society, its divisions and their chapters, The Multiple Sclerosis Society of Canada (Quebec Division) and the following incorporated Quebec Chapters:

Abitibi-Temiscamingue Chapter, Banlieue West Chapter, Bas-Saint-Laurent Chapter, Centre of Quebec Chapter, Chaudiere-Appalache Chapter, Cote-Nord 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 and Therese-de-Blainville/Basses-Laurentides Chapter

Effective January 1, 2012, the Estrie Chapter, also known as the Estrie Multiple Sclerosis Association of the MS Society, disaffiliated from the Society. 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.

Effective January 1, 2013, the Granby and Region and the Sorel-Tracy Chapters disaffiliated from the Society. The cash and net asset balances have been reduced for the removal of the amounts related to the Granby and Region and the Sorel-Tracy Chapters. The combined statement of financial position as at December 31, 2013 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 Granby and Region and the Sorel-Tracy Chapters.

The combined balances are presented after the elimination of inter-organizational balances and transactions.



# Multiple Sclerosis Society of Canada

## Notes to Combined Financial Statements

December 31, 2013

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(in thousands of dollars)

### 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 long-term. 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. Changes in fair value are recognized in the combined statement 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 the 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 less accumulated amortization and any impairment in value. 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

For office and computer equipment, amortization is one-half of the above rate in the year of acquisition.

### Intangible assets

Intangible assets comprise 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.

# Multiple Sclerosis Society of Canada

## Notes to Combined Financial Statements

December 31, 2013

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(in thousands of dollars)

### **Research grants payable**

Three research review committees, consisting of the Biomedical 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 advice and 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.

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.

# Multiple Sclerosis Society of Canada

## Notes to Combined Financial Statements

December 31, 2013

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(in thousands of dollars)

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.

## 3 Investments

Investments comprise the following:

	2013 \$	2012 \$
Pooled funds held with Phillips, Hager & North		
Mortgage Pension Trust, Series O	1,890	2,257
Bond Fund, Series O	1,690	1,555
Canadian Equity Fund, Series O	1,915	2,058
Overseas Equity Fund, Series O	375	410
Hedged Overseas Equity, Series O	378	433
US Equity Fund, Series O	1,202	671
Hedged US Equity, Series O	-	651
Short-term Bond & Mortgage Fund	-	1,005
Canadian Money Market Fund, Series O	37	37
Funds held by other institutions		
Guaranteed investment certificates	91	142
Other	3	3
	<hr/> 7,581	<hr/> 9,222

# Multiple Sclerosis Society of Canada

## Notes to Combined Financial Statements

December 31, 2013

(in thousands of dollars)

For the year ended December 31, 2013, the total return generated by Phillips, Hager & North was 13.3% (2012 - 8.1%).

### 4 Capital assets

	2013		2012	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Office and computer equipment	3,492	3,026	466	245
Buildings	1,454	747	707	780
Leasehold improvements	3,227	1,572	1,655	1,185
Land	562	-	562	562
	<u>8,735</u>	<u>5,345</u>	<u>3,390</u>	<u>2,772</u>

### 5 Payable to the Foundation

	2013 \$	2012 \$
Balance - Beginning of year	2,105	2,461
Add: Amounts authorized during the year	1,784	2,105
Less: Amounts paid during the year	<u>(1,405)</u>	<u>(2,461)</u>
Balance - End of year	<u>2,484</u>	<u>2,105</u>

Included in the amounts authorized above is \$327 (2012 - \$305) restricted for the ongoing research funded by the Multiple Sclerosis Scientific Research Foundation (the Foundation) and \$1,457 (2012 - \$1,800) restricted for the endMS Research & Training Network.

The Society received a grant from the Foundation of \$113 (2012 - \$110) 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 \$2,828 (2012 - \$1,479). At year-end, \$826 (2012 - \$210) 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 a common director with the Society and receives 74% (2012 - 74%) of its revenue from the Society. Therefore the Society is considered to have significant influence over the Foundation. The Society provides overhead and administrative services to the Foundation for an annual charge of \$20 (2012 - \$18).

# Multiple Sclerosis Society of Canada

## Notes to Combined Financial Statements

December 31, 2013

(in thousands of dollars)

### 6 Deferred revenue

	2013 \$	2012 \$
Balance - Beginning of year	2,179	2,405
Add: Amounts received in the year	1,601	1,640
Less: Amounts recognized during the year	(1,635)	(1,866)
Balance - End of year	<u>2,145</u>	<u>2,179</u>

### 7 Deferred capital contributions

	2013 \$	2012 \$
Balance - Beginning of year	905	1,049
Add: Amounts receivable in the year	749	-
Less: Amounts recognized during the year	(245)	(144)
Balance - End of year	<u>1,409</u>	<u>905</u>

### 8 Long-term research grants payable

Amounts designated to fund research projects are payable as follows:

	2013 \$	2012 \$
Long-term portion of research grants payable in the years ending		
2015	2,343	2,352
2016	587	665
	<u>2,930</u>	<u>3,017</u>

The fair value change in research grants payable was \$75 (2012 - \$43), which has been recorded in research expenses in the combined statement of revenue and expenditures.

### 9 Allocation of expenses

Shared support expenditures have been allocated as follows:

	2013 \$	2012 \$
Program and administration expenditures	2,116	1,726
Fundraising expenditures	1,533	1,532
	<u>3,649</u>	<u>3,258</u>

# Multiple Sclerosis Society of Canada

## Notes to Combined Financial Statements

December 31, 2013

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(in thousands of dollars)

### 10 Government remittances payable

As at year-end, the Society had remittances payable to the government of \$229 (2012 - \$194). This represents payroll withholdings that were deducted in December 2013 and remitted in January 2014.

### 11 Net changes in non-cash working capital

	2013 \$	2012 \$
Accounts receivable	(574)	261
Prepaid expenses and supplies	(101)	110
Accounts payable and accrued liabilities	1,441	204
Payable to Multiple Sclerosis Scientific Research Foundation	379	(356)
Deferred revenue	(34)	(226)
	<hr/>	<hr/>
	1,111	(7)
	<hr/>	<hr/>

### 12 Commitments

The Society has leased office premises and equipment for terms expiring in various years to 2024. Future minimum lease payments are as follows:

	\$
2014	1,671
2015	1,930
2016	1,700
2017	1,308
2018	1,298
Thereafter	5,158
	<hr/>
	13,065
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