

# **Multiple Sclerosis Society of Canada**

Combined Financial Statements  
**December 31, 2016**



May 17, 2017

## **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, 2016 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.

---

*PricewaterhouseCoopers LLP  
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2  
T: +1 416 863 1133, F: +1 416 365 8215*

"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 combined financial position of Multiple Sclerosis Society of Canada as at December 31, 2016 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

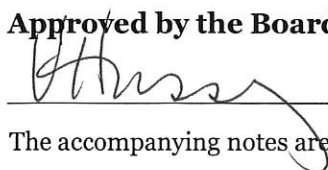
As at December 31, 2016

(in thousands of dollars)

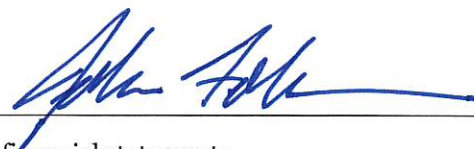
	2016 \$	2015 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	9,900	10,359
Short-term investments (note 3)	68	109
Accounts receivable (note 6)	7,511	6,064
Prepaid expenses and supplies	988	973
	<u>18,467</u>	<u>17,505</u>
<b>Investments</b> (note 3)	7,542	7,184
<b>Capital assets</b> (note 4)	2,802	2,549
<b>Intangible assets</b> (note 5)	379	496
	<u>29,190</u>	<u>27,734</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	3,157	2,554
Research grants payable	5,021	5,025
Payable to Multiple Sclerosis Scientific Research Foundation (note 6)	2,358	1,811
Deferred revenue	1,455	2,080
Deferred lease inducement	49	-
	<u>12,040</u>	<u>11,470</u>
<b>Deferred lease inducement</b>	375	481
<b>Deferred capital contributions</b>	1,154	1,176
<b>Research grants payable</b> (note 7)	3,749	2,676
	<u>17,318</u>	<u>15,803</u>
<b>Net Assets</b>		
<b>Restricted for endowment purposes</b>	615	574
<b>Internally restricted for research programs</b>	4,197	4,197
<b>Internally restricted for other purposes</b>	409	416
<b>Unrestricted</b>	6,651	6,744
	<u>11,872</u>	<u>11,931</u>
	<u>29,190</u>	<u>27,734</u>

**Commitments** (note 11)

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, 2016**

(in thousands of dollars)

	2016 \$	2015 \$
<b>Revenue</b>		
Leadership giving activity		
Bequests	2,194	3,725
endMS Research and Training Network	292	432
endMS Whatever It Takes	2,140	573
Corporate giving and major donors	2,140	2,159
Grants from governments	1,218	1,159
Grants from pharmaceutical companies	460	636
Other grants	707	732
	<hr/>	<hr/>
	9,151	9,416
Community based fundraising events	19,813	21,402
Individual giving and direct marketing	12,077	13,314
Dinners, tournaments and third party events	7,164	6,392
Gaming	1,419	1,495
United Way and HealthPartners	1,608	1,676
Public awareness activities	657	721
Sale of goods	249	286
Miscellaneous	350	233
Memberships	52	34
Investment income	455	493
	<hr/>	<hr/>
	52,995	55,462
<b>Fundraising expenditures</b>		
Leadership giving	1,852	1,988
Community based fundraising events	7,117	8,461
Individual giving and direct marketing	7,271	7,663
Dinners, tournaments and third party events	2,351	2,065
Indirect fundraising	2,264	1,940
Gaming	189	219
Cost of goods sold	174	164
	<hr/>	<hr/>
	21,218	22,500
<b>Program and administration expenditures</b>		
Client services	7,921	8,851
Research	6,257	6,404
Research - endMS Research and Training Network	292	754
Research - endMS Whatever It Takes	2,330	965
Public education and awareness	4,844	5,765
Chapter and volunteer support and development	3,472	3,821
Government and community relations	1,521	1,719
MS clinics	106	249
Administration	5,112	4,148
	<hr/>	<hr/>
	31,855	32,676
	<hr/>	<hr/>
	53,073	55,176
<b>(Deficiency) surplus of revenue over expenditures before the undernoted</b>	(78)	286
<b>Fair value change in investments</b>	31	(92)
<b>(Deficiency) surplus of revenue over expenditures for the year</b>	<hr/>	<hr/>
	(47)	194

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, 2016

(in thousands of dollars)

	<b>2016</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>	574	4,197	416	6,744	11,931
Endowment contributions	15	-	-	-	15
Deficiency of revenue over expenditures for the year	-	-	-	(47)	(47)
Interfund transfers	23	-	(7)	(16)	-
Transfer to deferred capital contributions	-	-	-	(30)	(30)
Interest earned on endowment contributions	3	-	-	-	3
<b>Balance - End of year</b>	<b>615</b>	<b>4,197</b>	<b>409</b>	<b>6,651</b>	<b>11,872</b>
	<b>2015</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>	575	4,003	433	6,727	11,738
Endowment contributions	(5)	-	-	-	(5)
Excess of revenue over expenditures for the year	-	-	-	194	194
Interfund transfers	-	194	(17)	(177)	-
Interest earned on endowment contributions	4	-	-	-	4
<b>Balance - End of year</b>	<b>574</b>	<b>4,197</b>	<b>416</b>	<b>6,744</b>	<b>11,931</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, 2016

(in thousands of dollars)

	2016 \$	2015 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
(Deficiency) surplus of revenue over expenditures for the year	(47)	194
Non-cash items		
Amortization of capital assets	460	565
Amortization of intangible assets	320	46
Amortization of deferred capital contributions	(177)	(170)
Amortization of deferred lease inducements	(57)	(71)
Fair value change in investments	(31)	92
Reinvested investment income	(390)	(307)
Net change in non-cash working capital (note 10)	(937)	(3,380)
Research grants payable	1,069	289
	<u>210</u>	<u>(2,742)</u>
<b>Investing activities</b>		
Proceeds on sale of investments	159	490
Acquisition of investments	(54)	-
Acquisition of capital assets	(713)	(15)
Acquisition of intangible assets	(204)	(350)
	<u>(812)</u>	<u>125</u>
<b>Financing activities</b>		
Receipt of endowment	14	(5)
Deferred capital contributions received	125	10
Interest earned on endowment contributions	4	4
	<u>143</u>	<u>9</u>
<b>Decrease in cash during the year</b>	<b>(459)</b>	<b>(2,608)</b>
<b>Cash - Beginning of year</b>	<b>10,359</b>	<b>12,967</b>
<b>Cash - End of year</b>	<b>9,900</b>	<b>10,359</b>

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

# Multiple Sclerosis Society of Canada

## Notes to Combined Financial Statements

December 31, 2016

---

(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 (Canada) 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 comprises 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-Témiscamingue Chapter, Banlieue-Ouest Chapter, Bas-Saint-Laurent Chapter, Centre-du-Québec Chapter, Chaudière-Appalaches Chapter, Côte-Nord Chapter, Estrie Chapter, Est-de-Montréal Chapter, Lac-St-Jean Chapter, Lanaudière Chapter, Laurentides Chapter, Laval Chapter, Mauricie Chapter, Montérégie Chapter, Montréal Chapter, Outaouais Chapter, Outaouais Chapter, Region-de-Québec Chapter and Saguenay Chapter.

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.



# Multiple Sclerosis Society of Canada

## Notes to Combined Financial Statements

December 31, 2016

---

(in thousands of dollars)

### 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. 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).

### Investments

The Society's investment activities are governed by investment policies set by the Board of Directors. These policies have strict guidelines as to asset categories and mix in accordance with the risk and return objectives established by the Board of Directors and management. Investments are recorded at fair value, which is determined based on the closing unit price. Changes in fair value are recognized in investment income on the combined statement of revenue and expenditures. The funds are professionally managed by advisers associated with a major Canadian chartered bank. The national investment committee, which consists of volunteers with investment management experience, meets with the investment manager on a quarterly basis to review the results of the investments and the portfolio mix.

### 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.

### 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

# Multiple Sclerosis Society of Canada

## Notes to Combined Financial Statements

December 31, 2016

---

(in thousands of dollars)

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.

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.

# Multiple Sclerosis Society of Canada

## Notes to Combined Financial Statements

December 31, 2016

---

(in thousands of dollars)

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:

	2016 \$	2015 \$
Pooled funds held with Phillips, Hager & North		
Mortgage Pension Trust, Series O	1,822	1,808
Bond Fund, Series O	1,758	1,720
Canadian Equity Fund, Series O	1,979	1,655
Overseas Equity Fund, Series O	-	414
Hedged Overseas Equity, Series O	-	361
US Equity Fund, Series O	788	1,178
Canadian Money Market Fund, Series O	36	5
RBC QUBE Low Volatile Equity Fund	1,106	
Funds held by other institutions		
Guaranteed investment certificates	118	149
Other	3	3
	<hr/>	<hr/>
	7,610	7,293
Less: Current portion	68	109
	<hr/>	<hr/>
	7,542	7,184
	<hr/>	<hr/>

For the year ended December 31, 2016, the total return generated by Phillips, Hager & North was 6.6% (2015 - 4%).

# Multiple Sclerosis Society of Canada

## Notes to Combined Financial Statements

December 31, 2016

(in thousands of dollars)

### 4 Capital assets

			2016	2015
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Office and computer equipment	4,001	3,687	314	176
Buildings	1,454	968	486	559
Leasehold improvements	3,812	2,372	1,440	1,252
Land	562	-	562	562
	9,829	7,027	2,802	2,549

### 5 Intangible assets

			2016	2015
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Computer software	3,904	3,525	379	496

### 6 Transactions and balances with the Foundation

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 86% (2015 - 79%) 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 (2015 - \$20).

Included in the transactions with the Foundation is \$386 (2015 - \$430) restricted for the ongoing research funded by the Foundation and \$2,935 (2015 - \$1,749) restricted for the endMS Campaigns. At year-end, \$2,358 (2015 - \$1,811) remains payable to the Foundation.

The Society received a grant from the Foundation of \$254 (2015 - \$571) related to the endMS Campaigns. On behalf of the Foundation, the Society paid the endMS Campaigns' expenses, professional fees and miscellaneous expenses of \$3,532 (2015 - \$5,079) that were charged to the Foundation. At year-end, \$4,875 (2015 - \$3,159) is remaining in accounts receivable.

# Multiple Sclerosis Society of Canada

## Notes to Combined Financial Statements

December 31, 2016

(in thousands of dollars)

### 7 Long-term research grants payable

Amounts designated to fund research projects are payable as follows:

	2016 \$	2015 \$
Long-term portion of research grants payable in the years ending		
2017	-	2,100
2018	2,571	576
2019	1,178	-
	<u>3,749</u>	<u>2,676</u>

The fair value change in research grants payable was \$75 (2015 - \$75), which has been recorded in research expenses in the combined statement of revenue and expenditures.

### 8 Allocation of expenses

Shared support expenditures have been allocated as follows:

	2016 \$	2015 \$
Program and administration expenditures	2,106	2,472
Fundraising expenditures	1,252	1,650
	<u>3,358</u>	<u>4,122</u>

### 9 Government remittances payable

As at year-end, the Society had remittances payable to the government of \$158 (2015 - \$194). This represents payroll withholdings that were deducted in December 2016 and remitted in January 2017.

### 10 Net change in non-cash working capital

	2016 \$	2015 \$
Accounts receivable	(1,447)	(2,358)
Prepaid expenses and supplies	(15)	(21)
Accounts payable and accrued liabilities	603	37
Payable to the Foundation	547	(772)
Deferred revenue	(625)	(266)
	<u>(937)</u>	<u>(3,380)</u>

# Multiple Sclerosis Society of Canada

## Notes to Combined Financial Statements

December 31, 2016

---

(in thousands of dollars)

### 11 Commitments

The Society has leased office premises and equipment for terms expiring in various years to 2026. Future minimum lease payments are as follows:

	\$
2017	2,242
2018	2,158
2019	1,969
2020	1,773
2021	1,379
Thereafter	<u>3,101</u>
	<u>12,622</u>

### 12 Risk management

Financial instruments that potentially subject the Society to concentrations of credit risk are cash, investments and accounts receivable. The Society places its cash in interest bearing accounts or instruments insured by a Canadian chartered bank. The Society believes that an adequate provision has been made for accounts receivable to the extent that collection is doubtful.

#### Currency risk

The Society is subject to currency risk as the value of its US dollar bank account will fluctuate due to changes in foreign exchange rates. The Society believes it has low exposure to currency risk given the low magnitude and volume of foreign currency transactions.

#### Interest rate risk

The Society is exposed to interest rate risk as the value of its investments fluctuates in accordance with fluctuations in interest rates. The Society manages its interest rate risk by monitoring the performance of the individual investments and by ensuring compliance by the investment manager with the set investment policies of the organization.

#### Market risk

Investments are subject to market risk. The Society manages market risk by substantially investing in guaranteed investment certificates and pooled mutual funds that meet specific investment criteria and are designed to adequately diversify the Society's investments to reduce exposure to market risk. Professional investment managers invest and manage the investment portfolio in accordance with the Society's investment policy statement. Investments are recorded at fair value. Fair value estimates are made at a specific point in time and may not be reflective of future value. The Society does not hold or issue financial instruments for trading purposes and does not hold or invest in derivative financial instruments.