

**The Multiple Sclerosis Society of
Canada (Quebec Division) and
Quebec Chapters**

Combined Financial Statements
December 31, 2015

The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters

Combined Financial Statements

December 31, 2015

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April 14, 2016

Independent Auditor's Report

To the Directors of The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters

We have audited the accompanying combined financial statements of The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters, which comprise the combined balance sheet as at December 31, 2015 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.

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

Opinion

In our opinion, the combined financial statements present fairly, in all material respects, the financial position of The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters as at December 31, 2015 and the results of their operations and their cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP¹

¹ CPA auditor, CA, public accountancy permit No. A128080

The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters

Combined Balance Sheet

As at December 31, 2015

	Note	2015 \$	2014 \$
Assets			
Current assets			
Cash and cash equivalents		1,983,025	1,802,680
Accounts receivable	3	521,341	679,989
Inventory		36,097	40,710
Prepaid expenses		116,634	142,261
Current portion of investments	4	95,995	121,139
		<u>2,753,092</u>	<u>2,786,779</u>
Investments	4	53,422	148,271
Capital assets	5	<u>49,410</u>	<u>71,449</u>
		<u>2,855,924</u>	<u>3,006,499</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6	1,317,228	1,475,404
Deferred revenue		<u>242,085</u>	<u>254,642</u>
		1,559,313	1,730,046
Obligations under capital leases		12,939	17,070
Deferred lease inducement		<u>61,032</u>	<u>83,920</u>
		<u>1,633,284</u>	<u>1,831,036</u>
Net Assets	7		
Invested in capital assets		49,410	71,449
Restricted for endowment purposes		25,324	29,849
Restricted by the Board of Directors		84,223	100,737
Unrestricted		<u>1,063,683</u>	<u>973,428</u>
		<u>1,222,640</u>	<u>1,175,463</u>
		<u>2,855,924</u>	<u>3,006,499</u>
Commitments	8		
On behalf of the Board of Directors			

_____ Director _____ Director

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

The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters

Combined Statement of Revenue and Expenditures

For the year ended December 31, 2015

	Note	2015 \$	2014 \$
Revenue			
Revenue from donations and grants			
Individual giving		482,409	509,492
Corporate giving and major donors		290,289	278,928
Bequests		811,268	490,960
EndMS Campaign		190,699	126,429
Government grants		745,761	729,999
Grants from pharmaceutical partners		106,182	172,550
Other grant revenue		7,818	4,618
Total revenue from donations and grants		2,634,426	2,312,976
Other revenues			
Pledge-based and other fundraising events		2,999,535	3,329,531
Gala dinners, tournaments and third party events		1,296,327	1,717,139
Public awareness activities		297,563	346,465
HealthPartners		266,087	257,568
Registration fees – Activities provided to clients		109,643	140,916
Bingos and lotteries		31,418	42,098
Sale of goods		29,258	39,270
Investment revenue		18,316	21,362
Miscellaneous revenue		34,032	4,716
Membership revenue		2,705	2,628
Total revenue		7,719,310	8,214,669
Expenditures			
Fundraising expenditures			
Donations and grants	2	367,069	390,896
Pledge-based and other fundraising events		1,800,702	1,913,347
Gala dinners, tournaments and third party events		533,649	653,125
Cost of goods sold		23,815	31,932
Indirect fundraising expenditures		350,397	303,919
Total fundraising expenditures		3,075,632	3,293,219
Program and administrative spending			
Client services	2	1,563,187	1,675,767
Research		810,401	1,082,429
Research – EndMS Campaign		190,699	126,429
Public education and awareness		792,108	773,032
Chapter and volunteer support and development		605,154	612,954
Government and community relations		148,851	134,829
MS clinics		-	55,000
Administration		481,576	475,269
Total program and administrative spending		4,591,976	4,935,709
Total expenditures		7,667,608	8,228,928
Excess of revenue over expenditures (expenditures over revenue)		51,702	(14,259)

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

The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters

Combined Statement of Changes in Net Assets

For the year ended December 31, 2015

	Note	2015 \$	2014 \$
Net assets – Beginning of year		1,175,463	1,193,669
Excess of revenue over expenditures (expenditures over revenue)		51,702	(14,259)
Contribution released from endowment and included in revenue		<u>(4,525)</u>	<u>(3,947)</u>
Net assets – End of year	7	<u>1,222,640</u>	<u>1,175,463</u>

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

The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters

Combined Statement of Cash Flows

For the year ended December 31, 2015

	2015 \$	2014 \$
Cash flows from		
Operating activities		
Excess of revenue over expenditures (expenditures over revenue)	51,702	(14,259)
Adjustments for		
Amortization of capital assets	29,741	31,985
Contribution released from endowment and included in revenue	(4,525)	(3,947)
Amortization of deferred lease inducement	(22,888)	(22,888)
	<u>54,030</u>	<u>(9,109)</u>
Changes in non-cash working capital items		
Decrease (increase) in accounts receivable	158,648	(142,964)
Decrease in inventory	4,613	12,569
Decrease in prepaid expenses	25,627	40,713
Increase (decrease) in accounts payable and accrued liabilities	(158,176)	121,989
Decrease in deferred revenue	(12,557)	(84,241)
	<u>18,155</u>	<u>(51,934)</u>
	<u>72,185</u>	<u>(61,043)</u>
Financing activities		
Net increase in (payment of) obligations under capital leases	<u>(4,131)</u>	<u>7,363</u>
Investing activities		
Acquisition of investments	(7)	(216,088)
Proceeds on sale of investments	120,000	277,681
Acquisition of capital assets	(7,702)	(38,055)
	<u>112,291</u>	<u>23,538</u>
Net increase (decrease) in cash and cash equivalents during the year	180,345	(30,142)
Cash and cash equivalents – Beginning of year	<u>1,802,680</u>	<u>1,832,822</u>
Cash and cash equivalents – End of year	<u>1,983,025</u>	<u>1,802,680</u>

Cash and cash equivalents consist of cash on hand and cash balances with banks.

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

The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters

Notes to Combined Financial Statements

December 31, 2015

1 Organization

The Multiple Sclerosis Society of Canada (Quebec Division) (the “Quebec Division”) and 18 Quebec Chapters included in these combined financial statements were each incorporated under Part III of the Quebec Companies Act and work collaboratively for the purposes of providing services to people living with multiple sclerosis (MS), financing medical research and informing the public.

2 Summary of significant accounting policies

Financial statements

These combined financial statements are prepared using the accrual basis of accounting and represent the assets, liabilities, net assets and operations of the Quebec Division and the Quebec Chapters of The Multiple Sclerosis Society of Canada (collectively, the Society). The Society is not subject to income taxes.

All inter-society transactions and balances have been eliminated.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Volunteer services and contributed materials and services

The work of the Society is dependent on, among other things, the voluntary services of many members. In addition, the Society may receive contributed materials and services. Because these materials and services are not normally purchased by the Society, and because of the difficulty in determining their fair values, contributed materials and services are not recognized in these combined financial statements unless they relate to capital assets.

Revenue recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters

Notes to Combined Financial Statements

December 31, 2015

Pledges and bequests

Pledges and bequests are accounted for when reasonable assurance exists that they will ultimately be received.

Inventory

Inventory is stated at the lower of cost and current replacement cost. Cost is generally determined on a first-in, first-out basis. Inventory comprises campaign and information material.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided for on a straight-line basis over the estimated useful lives of the assets. Amortization of computer and office equipment is provided for on a straight-line basis over a three- to five-year period. Leasehold improvements are amortized over the residual life of the lease.

Deferred revenue

Deferred revenue consists of government grants and donations received which have attached special provisions for their use. Deferred revenue related to government grants is recognized in revenue on a straight-line basis over the life of the grant. Deferred revenue with attached special provisions is recognized in revenue when the special provisions are fulfilled.

Deferred lease inducement

The Quebec Division has an office lease which began on March 1, 2006 and expires on August 31, 2019 for which the Quebec Division received free rent for a total period of 15 months. The free rent is amortized on a straight-line basis over the term of the lease.

Net assets

Net assets, other than any that are already invested in capital assets, restricted for endowment purposes or internally restricted, are unrestricted. The internal restrictions of net assets are actions of the Board of Directors. Investment income earned on these internally restricted assets is unrestricted. The net assets restricted by the Board of Directors were restricted by the Board of Directors of the Saguenay Chapter for the local support program for people with MS. The Society does not have externally imposed restrictions on its assets.

The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters

Notes to Combined Financial Statements

December 31, 2015

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 it as well as expenditures that are directly related to its operation.

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

The costs of personnel are charged to their area or areas of accountability based on the estimated split of the time required to discharge their individual roles and responsibilities. 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 direct costs, a number of support expenditures are incurred that are shared among all areas. The support expenditures include 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 such support costs to each area based on the relative head count for each area.

Costs of personnel and support expenditures are shared between programs and areas as follows:

			<u>2015</u>	<u>2014</u>
	Quebec Division	Quebec Chapters	Total	Total
	\$	\$	\$	\$
Program spending	1,223,621	995,211	2,218,832	2,181,067
Fundraising expenditures	990,032	655,624	1,645,656	1,615,384
Administration	230,058	248,428	478,486	466,673
	<u>2,443,711</u>	<u>1,899,263</u>	<u>4,342,974</u>	<u>4,263,124</u>

National Office research funding

The usual practice of the Quebec Division is to remit for research all of its yearly excess of revenue over expenditures, less the remittance to the National Office for research.

The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters

Notes to Combined Financial Statements

December 31, 2015

Financial instruments

Measurement of financial instruments

The Society initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions. The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for equity investments quoted in active markets and derivative financial instruments, if any, which are measured at fair value. Changes in fair value are recognized in excess of revenue over expenditures.

Financial assets measured at amortized cost consist of cash and cash equivalents, accounts receivable and investments. Financial liabilities measured at amortized cost consist of accounts payable and accrued liabilities and obligations under capital leases.

Presentation and transaction costs

Liabilities are classified as current unless the Society has an unconditional right to defer its settlement liabilities for at least 12 months after the combined balance sheet date.

Transaction costs on financial assets and financial liabilities measured at amortized cost, if any, are added to or netted against the carrying value of the related asset or liability and then recognized over the expected life of the instrument using the straight-line method.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the writedown is recognized in excess of revenue over expenditures. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of revenue over expenditures.

The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters

Notes to Combined Financial Statements

December 31, 2015

3 Accounts receivable

	2015 \$	2014 \$
Receivable from other divisions	-	48,392
Receivable from National Office	122,278	152,277
Other	399,063	479,320
	<u>521,341</u>	<u>679,989</u>

The other accounts receivable consist principally of sponsorships receivable, receivables related to special events, lottery deposits and sales taxes recoverable.

4 Investments

	2015 \$	2014 \$
Restricted investments		
Term deposits	<u>24,849</u>	<u>29,849</u>
Non-restricted investments		
Term deposits	124,246	239,239
Others	322	322
	<u>124,568</u>	<u>239,561</u>
	149,417	269,410
Less: Current portion	<u>95,995</u>	<u>121,139</u>
	<u>53,422</u>	<u>148,271</u>

Term deposits as at December 31, 2015 earn interest at various rates ranging between 0.65% and 2.00% (2014 – 0.65% and 1.85%) and mature at various dates between January 15, 2016 and December 23, 2017.

The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters

Notes to Combined Financial Statements

December 31, 2015

5 Capital assets

			<u>2015</u>	<u>2014</u>
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
	\$	\$	\$	\$
Computer and office equipment	256,404	214,478	41,926	61,924
Leasehold improvements	29,560	22,076	7,484	9,525
	<u>285,964</u>	<u>236,554</u>	<u>49,410</u>	<u>71,449</u>

6 Accounts payable and accrued liabilities

	2015	2014
	\$	\$
Payable to National Office	902,198	986,726
Payable to other divisions	-	26,948
Accrued liabilities	392,865	440,523
Government remittances*	22,165	21,207
	<u>1,317,228</u>	<u>1,475,404</u>

* Government remittances consist of amounts (such as payroll withholding taxes) required to be paid to government authorities and are recognized when the amounts become due.

The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters

Notes to Combined Financial Statements

December 31, 2015

7 Net assets by restriction

	Quebec Division				
	Invested in capital assets \$	Restricted for endowment purposes \$	Restricted by the Board \$	Unrestricted \$	Total \$
As at January 1, 2014	65,379	33,796	44,455	1,050,039	1,193,669
Excess of expenditures over revenue	-	-	-	(14,259)	(14,259)
Contribution released from endowment and included in revenue	-	(3,947)	-	-	(3,947)
Restricted (released) by the Board of Directors	-	-	56,282	(56,282)	-
Acquisition of capital assets	38,055	-	-	(38,055)	-
Amortization of capital assets	(31,985)	-	-	31,985	-
As at December 31, 2014	71,449	29,849	100,737	973,428	1,175,463
As at January 1, 2015	71,449	29,849	100,737	973,428	1,175,463
Excess of revenue over expenditures	-	-	-	51,702	51,702
Contribution released from endowment and included in revenue	-	(4,525)	-	-	(4,525)
Restricted (released) by the Board of Directors	-	-	(16,514)	16,514	-
Acquisition of capital assets	7,702	-	-	(7,702)	-
Amortization of capital assets	(29,741)	-	-	29,741	-
As at December 31, 2015	49,410	25,324	84,223	1,063,683	1,222,640

8 Commitments

The minimum annual lease payments under operating leases are as follows:

	\$
2016	303,397
2017	220,454
2018	206,475
2019	147,510
2020	31,716
Thereafter	33,002

The Multiple Sclerosis Society of Canada (Quebec Division) and Quebec Chapters

Notes to Combined Financial Statements

December 31, 2015

9 Financial instruments

Credit risk

Financial instruments that potentially subject the Society to credit risk consist of cash and cash equivalents, accounts receivable and investments. The Society has deposited its cash and cash equivalents with reputable financial institutions. It is management's opinion that the Society is not exposed to significant credit risk arising from its financial instruments as at December 31, 2015.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Society's financial instruments expose it in a limited way to interest rate risk. It is management's opinion that the Society is not exposed to significant interest rate risk arising from its financial instruments.

As at December 31, 2015, the Society's exposure to interest rate risk is as follows:

Cash and cash equivalents	Prime rate less 1.85%
Investments	See note 4

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and obligations under capital leases.