

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

Combined Financial Statements
December 31, 2016

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

Combined Financial Statements

December 31, 2016

Table of Contents

	Page
Independent Auditor's Report	1
Combined Financial Statements	
Combined Balance Sheet	3
Combined Statement of Revenue and Expenditures	4
Combined Statement of Changes in Net Assets	5
Combined Statement of Cash Flows	6
Notes to Combined Financial Statements	7



April 4, 2017

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, 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.

*PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205 5000, F: +1 514 876 1502*



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, 2016 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, 2016

	Note	2016 \$	2015 \$
Assets			
Current assets			
Cash and cash equivalents		2,398,259	1,983,025
Accounts receivable	3	848,420	521,341
Inventory		56,244	36,097
Prepaid expenses		108,532	116,634
Current portion of investments	4	55,654	95,995
		<u>3,467,109</u>	<u>2,753,092</u>
Investments	4, 7	62,671	53,422
Capital assets	5	<u>49,612</u>	<u>49,410</u>
		<u>3,579,392</u>	<u>2,855,924</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6	1,918,459	1,317,228
Deferred revenue		243,289	242,085
Current portion of annuity payable	7	<u>2,760</u>	<u>-</u>
		2,164,508	1,559,313
Obligations under capital leases		8,357	12,939
Annuity payable	7	29,702	-
Deferred lease inducement		<u>38,146</u>	<u>61,032</u>
		<u>2,240,713</u>	<u>1,633,284</u>
Net Assets			
Invested in capital assets		49,612	49,410
Restricted for endowment purposes	7	40,034	25,324
Restricted by the Board of Directors		76,528	84,223
Unrestricted		<u>1,172,505</u>	<u>1,063,683</u>
		<u>1,338,679</u>	<u>1,222,640</u>
		<u>3,579,392</u>	<u>2,855,924</u>
Commitments	8		

On behalf of the Board of Directors

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

Director

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

Combined Statement of Revenue and Expenditures

For the year ended December 31, 2016

	Note	2016 \$	2015 \$
Revenue			
Revenue from donations and grants			
Individual giving		503,195	482,409
Corporate giving and major donors		297,553	290,289
Bequests		352,011	811,268
EndMS Campaign		202,000	190,699
Government grants		787,917	745,761
Grants from pharmaceutical partners		127,850	106,182
Other grant revenue		6,728	7,818
Total revenue from donations and grants		2,277,254	2,634,426
Other revenues			
Pledge-based and other fundraising events		2,876,472	2,999,535
Gala dinners, tournaments and third party events		1,939,633	1,296,327
Public awareness activities		274,162	297,563
HealthPartners		243,950	266,087
Registration fees – Activities provided to clients		142,087	109,643
Bingos and lotteries		29,092	31,418
Sale of goods		12,114	29,258
Investment revenue		16,685	18,316
Miscellaneous revenue		38,621	34,032
Membership revenue		11,839	2,705
Total revenue		7,861,909	7,719,310
Expenditures			
Fundraising expenditures			
Donations and grants	2	303,304	367,069
Pledge-based and other fundraising events		1,427,275	1,800,702
Gala dinners, tournaments and third party events		799,913	533,649
Cost of goods sold		11,299	23,815
Indirect fundraising expenditures		360,605	350,397
Total fundraising expenditures		2,902,396	3,075,632
Program and administrative spending			
Client services	2	1,466,086	1,563,187
Research		1,317,000	810,401
Research – EndMS Campaign		202,000	190,699
Public education and awareness		730,705	792,108
Chapter and volunteer support and development		539,219	605,154
Government and community relations		132,013	148,851
Administration		471,161	481,576
Total program and administrative spending		4,858,184	4,591,976
Total expenditures		7,760,580	7,667,608
Excess of revenue over expenditures		101,329	51,702

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, 2016

	Note	Quebec Division				
		Invested in capital assets \$	Restricted for endowment purposes \$	Restricted by the Board \$	Unrestricted \$	Total \$
As at January 1, 2015		771,449	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
Excess of revenue over expenditures		-	-	-	101,329	101,329
Contribution released from endowment and included in revenue		-	(4,590)	-	-	(4,590)
Restricted (released) by the Board of Directors		-	-	(7,695)	7,695	-
Restricted for endowment purposes	7	-	19,300	-	-	19,300
Acquisition of capital assets		20,180	-	-	(20,180)	-
Amortization of capital assets		(19,978)	-	-	19,978	-
As at December 31, 2016		49,612	40,034	76,528	1,172,505	1,338,679

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, 2016

	Note	2016 \$	2015 \$
Cash flows from			
Operating activities			
Excess of revenue over expenditures		101,329	51,702
Adjustments for			
Amortization of capital assets		19,978	29,741
Discount on annuity payable	7	(238)	-
Amortization of deferred lease inducement		(22,886)	(22,888)
Contribution released from endowment and included in revenue		(4,590)	(4,525)
		93,593	54,030
Changes in non-cash working capital items			
Decrease (increase) in accounts receivable		(327,079)	158,648
Decrease (increase) in inventory		(20,147)	4,613
Decrease in prepaid expenses		8,102	25,627
Increase (decrease) in accounts payable and accrued liabilities		601,231	(158,176)
Increase (decrease) in deferred revenue		1,204	(12,557)
		263,311	18,155
		356,904	72,185
Financing activities			
Payment of obligations under capital leases		(4,582)	(4,131)
Investing activities			
Acquisition of investments		(1,752)	(7)
Proceeds on sale of investments		84,844	120,000
Acquisition of capital assets		(20,180)	(7,702)
		62,912	112,291
Net increase in cash and cash equivalents during the year		415,234	180,345
Cash and cash equivalents – Beginning of year		1,983,025	1,802,680
Cash and cash equivalents – End of year		2,398,259	1,983,025

Cash and cash equivalents consist of cash on hand and cash balances with banks.
See details of transactions without a cash flow effect in note 7.

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, 2016

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, 2016

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 asset externally restricted to restricted for endowment purposes is recorded directly to changes in net assets.

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, 2016

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>2016</u>	<u>2015</u>
	Quebec Division	Quebec Chapters	Total	Total
	\$	\$	\$	\$
Program spending	1,071,890	962,935	2,034,825	2,218,832
Fundraising expenditures	874,237	610,300	1,484,537	1,645,656
Administration	238,255	231,444	469,699	478,486
	<u>2,184,382</u>	<u>1,804,679</u>	<u>3,989,061</u>	<u>4,342,974</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, 2016

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, obligations under capital leases and annuity payable.

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, 2016

3 Accounts receivable

	2016 \$	2015 \$
Receivable from National Office	277,285	122,278
Other	571,135	399,063
	<u>848,420</u>	<u>521,341</u>

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

4 Investments

	2016 \$	2015 \$
Restricted investments		
Mutual funds (*)	52,000	-
Term deposits	-	24,849
	<u>52,000</u>	<u>24,849</u>
Non-restricted investments		
Term deposits	65,754	124,246
Others	571	322
	<u>66,325</u>	<u>124,568</u>
	118,325	149,417
Less: Current portion	<u>55,654</u>	<u>95,995</u>
	<u>62,671</u>	<u>53,422</u>

* These investments are restricted until 2026.

Term deposits as at December 31, 2016 earn interest at various rates ranging between 0.90% and 1.85% (2015 – 0.65% and 2.00%) and mature at various dates between January 15, 2017 and December 23, 2019.

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

Notes to Combined Financial Statements

December 31, 2016

5 Capital assets

			<u>2016</u>	<u>2015</u>
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Computer and office equipment	276,584	232,415	44,169	41,926
Leasehold improvements	29,560	24,117	5,443	7,484
	<u>306,144</u>	<u>256,532</u>	<u>49,612</u>	<u>49,410</u>

6 Accounts payable and accrued liabilities

	2016	2015
	\$	\$
Payable to National Office	1,464,851	902,198
Accrued liabilities	431,537	392,865
Government remittances*	22,071	22,165
	<u>1,918,459</u>	<u>1,317,228</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.

7 Annuity payable

On September 29, 2016, the Society received a major donation from an individual, payable in two portions in the form of mutual funds:

- a) The first part, in the amount of \$19,300, must be held for a minimum of 10 years before the balance is used, and this amount has been recorded directly in restricted for endowment purposes.

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

Notes to Combined Financial Statements

December 31, 2016

- b) The second part is in the amount of \$32,700. The Society must retain the invested capital of the donation at Investors Group Financial Services Inc. until the annuity is fully paid to the donor and annuitant, i.e. 120 monthly payments of \$321 as of January 1, 2017.

	2016 \$	2015 \$
Annuity payable, discounted at the implicit interest rate of 3.50% and maturing on December 1, 2026	32,462	-
Less: Current portion	2,760	-
	<u>29,702</u>	<u>-</u>

As at December 31, 2016, future minimum payments of annuity payable in each of the forthcoming years are as follows:

	\$
2017	3,852
2018	3,852
2019	3,852
2020	3,852
2021	3,852
Thereafter	<u>19,260</u>
	38,520
Less: Interest	<u>6,058</u>
	<u>32,462</u>

8 Commitments

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

	\$
2017	290,455
2018	267,957
2019	209,129
2020	90,003
2021	81,043
Thereafter	8,004

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

Notes to Combined Financial Statements

December 31, 2016

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 also conducts an ongoing assessment of its clients' credit and records an allowance for doubtful accounts, if any. It is management's opinion that the Society is not exposed to significant credit risk arising from its financial instruments as at December 31, 2016.

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 and other price risk. It is management's opinion that the Society is not exposed to significant interest rate risk arising from its financial instruments. The Society's financial instruments exposed to market risk are cash and cash equivalents and investments.

As at December 31, 2016, the Society's exposure to interest rate risk is as follows:

Cash and cash equivalents	Prime rate less 1.85%
Investments	See note 4
Annuity payable	See note 7

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 obligations under capital leases and annuity payable.