

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

Combined Financial Statements  
**December 31, 2017**

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

Combined Financial Statements

December 31, 2017

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April 12, 2018

## **Independent Auditor's Report**

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

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, 2017 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, 2017 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 LLP<sup>1</sup>*

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<sup>1</sup> 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, 2017

	Note	2017 \$	2016 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		2,322,861	2,447,413
Accounts receivable	3	1,027,603	848,420
Inventory		47,058	56,244
Prepaid expenses		111,430	108,532
Current portion of investments	4	6,500	6,500
		<u>3,515,452</u>	<u>3,467,109</u>
<b>Investments</b>	4, 8	63,342	62,671
<b>Capital assets</b>	5	<u>132,017</u>	<u>49,612</u>
		<u>3,710,811</u>	<u>3,579,392</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	6	1,992,935	1,918,459
Deferred revenue	7	237,104	243,289
Current portion of annuity payable	8	<u>2,624</u>	<u>2,760</u>
		2,232,663	2,164,508
<b>Obligations under capital leases</b>		4,885	8,357
<b>Annuity payable</b>	8	26,844	29,702
<b>Deferred lease inducement</b>		<u>15,259</u>	<u>38,146</u>
		<u>2,279,651</u>	<u>2,240,713</u>
<b>Net Assets</b>			
<b>Invested in capital assets</b>		132,017	49,612
<b>Restricted for endowment purposes</b>	8	35,034	40,034
<b>Restricted by the Board of Directors</b>		74,284	76,528
<b>Unrestricted</b>		<u>1,189,825</u>	<u>1,172,505</u>
		<u>1,431,160</u>	<u>1,338,679</u>
		<u>3,710,811</u>	<u>3,579,392</u>
<b>Commitments</b>	9		
<b>On behalf of the Board of Directors</b>			

\_\_\_\_\_ 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, 2017

	Note	2017 \$	2016 \$
<b>Revenue</b>			
<b>Revenue from donations and grants</b>			
Corporate giving, individual giving and major donors		756,898	800,748
Bequests		472,853	352,011
EndMS campaign		-	202,000
Government grants		836,517	787,917
Grants from pharmaceutical partners		189,150	127,850
Other grant revenue		1,613	6,728
<b>Total revenue from donations and grants</b>		<b>2,257,031</b>	<b>2,277,254</b>
<b>Other revenues</b>			
Signature events		2,238,229	2,331,618
Local fundraising initiatives		2,005,879	1,992,342
Partnership events and campaigns		142,039	133,294
I challenge MS		338,809	358,851
Public awareness activities		255,465	274,162
HealthPartners		233,700	243,950
Registration fees – Activities provided to clients		113,009	142,087
Bingos and lotteries		34,866	29,092
Sale of goods		13,041	12,114
Investment revenue		20,035	16,685
Miscellaneous revenue		39,355	38,621
Membership revenue		9,974	11,839
<b>Total revenue</b>		<b>7,701,432</b>	<b>7,861,909</b>
<b>Expenditures</b>			
<b>Fundraising expenditures</b>			
Donations and grants	2	279,286	303,304
Signature events		1,034,644	925,530
Local fundraising initiatives		1,193,702	1,112,948
Partnership events and campaigns		1,149	16,812
I challenge MS		88,735	171,898
Cost of goods sold		11,873	11,299
Indirect fundraising expenditures		394,692	360,605
<b>Total fundraising expenditures</b>		<b>3,004,081</b>	<b>2,902,396</b>
<b>Program and administrative spending</b>			
Client services	2	1,422,759	1,466,086
Research		1,260,000	1,317,000
Research – EndMS campaign		-	202,000
Public education and awareness		719,472	730,705
Chapter and volunteer support and development		593,398	539,219
Government and community relations		130,249	132,013
Administration		473,992	471,161
<b>Total program and administrative spending</b>		<b>4,599,870</b>	<b>4,858,184</b>
<b>Total expenditures</b>		<b>7,603,951</b>	<b>7,760,580</b>
<b>Excess of revenue over expenditures</b>		<b>97,481</b>	<b>101,329</b>

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, 2017

	Quebec Division				
	Invested in capital assets \$	Restricted for endowment purposes \$	Restricted by the Board \$	Unrestricted \$	Total \$
<b>As at January 1, 2016</b>	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	-	19,300	-	-	19,300
Acquisition of capital assets	20,180	-	-	(20,180)	-
Amortization of capital assets	(19,978)	-	-	19,978	-
<b>As at December 31, 2016</b>	49,612	40,034	76,528	1,172,505	1,338,679
Excess of revenue over expenditures	-	-	-	97,481	97,481
Contribution released from endowment and included in revenue	-	(5,000)	-	-	(5,000)
Restricted (released) by the Board of Directors	-	-	(2,244)	2,244	-
Acquisition of capital assets	113,310	-	-	(113,310)	-
Amortization of capital assets	(30,905)	-	-	30,905	-
<b>As at December 31, 2017</b>	132,017	35,034	74,284	1,189,825	1,431,160

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, 2017

	2017 \$	2016 \$
<b>Cash flows from</b>		
<b>Operating activities</b>		
Excess of revenue over expenditures	97,481	101,329
Adjustments for		
Amortization of capital assets	30,905	19,978
Discount on annuity payable	-	(238)
Amortization of deferred lease inducement	(22,887)	(22,886)
Contribution released from endowment and included in revenue	(5,000)	(4,590)
	<u>100,499</u>	<u>93,593</u>
Changes in non-cash working capital items		
Increase in accounts receivable	(179,183)	(327,079)
Decrease (increase) in inventory	9,186	(20,147)
Decrease (increase) in prepaid expenses	(2,898)	8,102
Increase in accounts payable and accrued liabilities	74,476	601,231
Increase (decrease) in deferred revenue	(6,185)	1,204
	<u>(104,604)</u>	<u>263,311</u>
	<u>(4,105)</u>	<u>356,904</u>
<b>Financing activities</b>		
Payment of obligations under capital leases	(3,472)	(4,582)
Payment of annuity	(2,994)	-
	<u>(6,466)</u>	<u>(4,582)</u>
<b>Investing activities</b>		
Acquisition of investments	(671)	(1,752)
Proceeds on sale of investments	-	133,998
Acquisition of capital assets	(113,310)	(20,180)
	<u>(113,981)</u>	<u>112,066</u>
<b>Net variation in cash during the year</b>	(124,552)	464,388
<b>Cash – Beginning of year</b>	<u>2,447,413</u>	<u>1,983,025</u>
<b>Cash – End of year</b>	<u>2,322,861</u>	<u>2,447,413</u>

See details of transactions without a cash flow effect in note 8.

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, 2017

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## **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 educating the public.

## **2 Summary of significant accounting policies**

### **Combined 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 service 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, 2017**

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## **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 informational 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 determined by 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, 2017

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## 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-raising activities, volunteer development and support, advocacy with governments and stakeholder advocacy programs. The cost of each program includes 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. As with 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>2017</u>	<u>2016</u>
	<b>Quebec Division</b>	<b>Quebec Chapters</b>	<b>Total</b>	<b>Total</b>
	\$	\$	\$	\$
Program spending	1,071,493	982,717	2,054,210	2,034,825
Fundraising expenditures	967,968	616,088	1,584,056	1,484,537
Administration	241,468	230,243	471,711	469,699
	<u>2,280,929</u>	<u>1,829,048</u>	<u>4,109,977</u>	<u>3,989,061</u>

## The Multiple Sclerosis Society of Canada research funding

The usual practice of the Quebec Division is to remit all of its yearly excess of revenue over expenditures, less the remittance to the Multiple Sclerosis Society of Canada, for research.

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

Notes to Combined Financial Statements

December 31, 2017

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## 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, 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, 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.

## 3 Accounts receivable

	2017 \$	2016 \$
Receivable from the Multiple Sclerosis Society of Canada	646,821	277,285
Other	380,782	571,135
	<u>1,027,603</u>	<u>848,420</u>

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

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

Notes to Combined Financial Statements

December 31, 2017

## 4 Investments

	2017 \$	2016 \$
<b>Restricted investments</b>		
Mutual funds*	52,000	52,000
<b>Non-restricted investments</b>		
Term deposits	17,484	16,600
Others	358	571
	17,842	17,171
Less: Current portion	69,842	69,171
	6,500	6,500
	63,342	62,671

\* These investments are restricted until 2026.

Term deposits as at December 31, 2017 earn interest at various rates ranging between 0.75% and 1.25% (2016 – 0.90% and 1.85%) and mature at various dates between December 1, 2018 and December 23, 2020.

## 5 Capital assets

	2017		2016	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Computer and office equipment	296,565	215,390	81,175	44,169
Leasehold improvements	79,496	28,654	50,842	5,443
	376,061	244,044	132,017	49,612

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

Notes to Combined Financial Statements

December 31, 2017

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## 6 Accounts payable and accrued liabilities

	2017 \$	2016 \$
Payable to the Multiple Sclerosis Society of Canada	1,558,963	1,464,851
Accrued liabilities	413,209	431,537
Government remittances*	20,763	22,071
	<hr/> 1,992,935	<hr/> 1,918,459

\* 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 Deferred revenue

	2017 \$	2016 \$
<b>Balance – Beginning of year</b>	243,289	242,085
Revenue		
Amount recognized in the combined statement of revenues and expenditures	(243,289)	(242,085)
Amount received relating to the following year	237,104	243,289
<b>Balance – End of year</b>	<hr/> 237,104	<hr/> 243,289

## 8 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, in the combined statement of changes in net assets.

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

Notes to Combined Financial Statements

December 31, 2017

- 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.

	2017 \$	2016 \$
Annuity payable, discounted at the implicit interest rate of 3.5% and maturing on December 1, 2026	29,468	32,462
Less: Current portion	2,624	2,760
	<u>26,844</u>	<u>29,702</u>

As at December 31, 2017, future minimum payments of the annuity payable in each of the forthcoming years are as follows:

	\$
2018	3,852
2019	3,852
2020	3,852
2021	3,852
2022	3,852
Thereafter	<u>15,408</u>
	34,668
Less: Interest	<u>5,200</u>
	<u>29,468</u>

## 9 Commitments

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

	\$
2018	331,168
2019	271,970
2020	154,601
2021	150,913
2022	57,540
Thereafter	90,562

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

Notes to Combined Financial Statements

December 31, 2017

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## 10 Financial instruments

### Credit risk

Financial instruments that potentially subject the Society to credit risk consist of cash, accounts receivable and investments. The Society has deposited its cash with reputable financial institutions. It also conducts an ongoing assessment of its clients' credit and records an allowance for doubtful accounts if required. It is management's opinion that the Society is not exposed to significant credit risk arising from its financial instruments as at December 31, 2017.

### 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 other price risk are investments.

As at December 31, 2017, the Society's exposure to interest rate risk is as follows:

Cash and cash equivalents	Prime rate less 1.85% and rate of 0.90%
Investments	See note 4
Obligations under capital leases	Fixed rates
Annuity payable	See note 8

### 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.

## 11 Comparative figures

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.