

Multiple Sclerosis Society of Canada

Combined Financial Statements
December 31, 2021



Independent auditor's report

To the Board of Directors of Multiple Sclerosis Society of Canada

Our opinion

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of Multiple Sclerosis Society of Canada (the Society) as at December 31, 2021 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.

What we have audited

The Society's combined financial statements comprise:

- the combined statement of financial position as at December 31, 2021;
- the combined statement of operations for the year then ended;
- the combined statement of changes in net assets for the year then ended;
- the combined statement of cash flows for the year then ended; and
- the notes to the combined financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the combined financial statements* section of our report.

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

Independence

We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the combined financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the combined financial statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal

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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.

In preparing the combined financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditor's responsibilities for the audit of the combined financial statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Society to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario
May 25, 2022

Multiple Sclerosis Society of Canada

Combined Statement of Financial Position

As at December 31, 2021

(in thousands of dollars)

	2021 \$	2020 \$
Assets		
Current assets		
Cash	17,219	15,261
Accounts receivable (note 6)	2,464	3,831
Prepaid expenses and supplies	841	1,399
	<u>20,524</u>	<u>20,491</u>
Investments (note 3)	15,384	9,786
Capital assets (note 4)	564	945
Intangible assets (note 5)	92	261
	<u>36,564</u>	<u>31,483</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	2,634	4,973
Research grants payable (note 7)	4,156	5,244
Payable to Multiple Sclerosis Scientific Research Foundation (note 6)	2,293	2,351
Deferred revenue	825	1,318
Deferred lease inducement	40	41
	<u>9,948</u>	<u>13,927</u>
Deferred lease inducement	87	181
Deferred capital contributions	489	725
Research grants payable (note 7)	2,735	4,720
	<u>13,259</u>	<u>19,553</u>
Net Assets		
Restricted for endowment purposes	218	211
Internally restricted for research programs	4,631	4,631
Internally restricted for other purposes	1,886	1,698
Unrestricted	16,570	5,390
	<u>23,305</u>	<u>11,930</u>
	<u>36,564</u>	<u>31,483</u>

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 Operations

For the year ended December 31, 2021

(in thousands of dollars)

	2021 \$	2020 \$
Revenue		
Leadership giving activity		
Bequests	3,852	2,875
endMS campaigns	3,069	4,458
Corporate and Individual Giving, Major Donors	5,197	5,036
Grants from governments	3,874	5,733
Grants from pharmaceutical companies	434	526
Other grants	327	464
	<hr/>	<hr/>
	16,753	19,092
Signature events	7,497	6,421
Direct marketing	13,466	12,234
Local fundraising initiatives	1,168	1,038
Partnership events and campaigns	1,643	1,260
I Challenge MS	1,535	1,316
Gaming	161	1,003
United Way and HealthPartners	742	798
Public awareness activities	6	7
Sale of goods	74	113
Miscellaneous	330	487
Memberships	1	2
Investment income	757	402
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	44,133	44,173
Fundraising expenditures		
Leadership giving	1,718	1,998
Signature events	2,173	3,012
Direct marketing	7,703	7,684
Local fundraising initiatives	942	623
Partnership events and campaigns	89	106
I Challenge MS	196	181
Indirect fundraising	1,596	2,312
Gaming	25	108
Cost of goods sold	47	69
	<hr/>	<hr/>
	14,489	16,093
Program and administration expenditures		
Programs and services	4,190	5,979
Research (note 6)	1,059	6,421
Research – endMS campaigns (note 6)	3,069	4,458
Public education and awareness	4,117	4,775
Chapter and volunteer support and development	1,731	2,654
Government and community relations	1,013	1,326
Administration	3,705	4,023
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	18,884	29,636
Surplus (deficiency) of revenue over expenditures before the undernoted	10,760	(1,556)
Fair value change in investments	608	265
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Surplus (deficiency) of revenue over expenditures for the year	11,368	(1,291)

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, 2021

(in thousands of dollars)

	2021				
	Restricted for endowment purposes \$	Internally restricted for research programs \$	Internally restricted for other purposes \$	Unrestricted \$	Total \$
Balance – Beginning of year	211	4,631	1,698	5,390	11,930
Endowment contributions	5	-	-	-	5
Deficiency of revenue over expenditures for the year	-	-	-	11,368	11,368
Interfund transfers (note 14)	-	-	188	(188)	-
Interest earned on endowment contributions	2	-	-	-	2
Balance – End of year	218	4,631	1,886	16,570	23,305
	2020				
	Restricted for endowment purposes \$	Internally restricted for research programs \$	Internally restricted for other purposes \$	Unrestricted \$	Total \$
Balance – Beginning of year	587	4,197	1,564	6,815	13,163
Endowment contributions	29	-	-	-	29
Deficiency of revenue over expenditures for the year	-	-	-	(1,291)	(1,291)
Interfund transfers (note 14)	(434)	434	134	(134)	-
Interest earned on endowment contributions	29	-	-	-	29
Balance – End of year	211	4,631	1,698	5,390	11,930

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, 2021

(in thousands of dollars)

	2021 \$	2020 \$
Cash provided by (used in)		
Operating activities		
Surplus (deficiency) of revenue over expenditures for the year	11,368	(1,291)
Non-cash items		
Amortization of capital assets	542	487
Gain on sale of capital assets	(1)	(6)
Amortization of intangible assets	171	411
Amortization of deferred capital contributions	(293)	(207)
Amortization of deferred lease inducements	(94)	(70)
Net book value of capital assets written off	2	8
Fair value change in investments	(608)	(265)
Reinvested investment income	(717)	(246)
Change in non-cash working capital (note 10)	(965)	1,118
Research grants payable	(3,073)	1,918
	<u>6,332</u>	<u>1,857</u>
Investing activities		
Proceeds on sale of investments	103	4,276
Acquisition of investments	(4,376)	(29)
Acquisition of capital assets	(163)	(282)
Acquisition of intangible assets	(2)	-
Proceeds from sale of capital assets	-	4
	<u>(4,438)</u>	<u>3,969</u>
Financing activities		
Lease inducement received	-	57
Receipt of endowment	5	29
Deferred capital contributions received	57	198
Interest earned on endowment contributions	2	29
	<u>64</u>	<u>313</u>
Change in cash during the year	1,958	6,139
Cash – Beginning of year	<u>15,261</u>	<u>9,122</u>
Cash – End of year	<u>17,219</u>	<u>15,261</u>

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

Multiple Sclerosis Society of Canada

Notes to Combined Financial Statements

December 31, 2021

(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 connect and empower the MS community to create positive change. The Society operates in the Province of Quebec through an affiliation agreement with the MS Quebec division.

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 Multiple Sclerosis Society of Canada, 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, 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 follows the deferral method of accounting for contributions, which includes donations and government grants. 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 restrictions on 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 on the same basis as the related amortization is recorded in capital expenditures. Other revenue is recognized when earned. Bequests are accounted for when received. Endowment contributions are recognized as direct increases in net assets. Endowment investment income is deferred and recognized as revenue in the year in which the related expenses are recognized.

The Society recognizes government assistance, in the form of Canada Emergency Wage Subsidy (CEWS), when there is reasonable assurance that the Society will be able to comply with the eligibility criteria and that the assistance will be received. Government assistance that compensates the Society for expenses incurred is recognized in the combined statement of operations as grants from governments in the periods in which the expenses are recognized. For the year ended December 31, 2021, the Society recognized \$1,942 (2020 – \$4,296) in relation to CEWS.

Multiple Sclerosis Society of Canada

Notes to Combined Financial Statements

December 31, 2021

(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 except for 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 operations.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and amounts 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 the combined statement of operations. 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
Leasehold improvements	over the life of the lease

Intangible assets

Intangible assets are comprised of 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.

Impairment of long-lived assets

When a long-lived asset no longer contributes to the Society's ability to provide services, or the value of future economic benefits or service potential associated with the long-lived asset is less than its net carrying amount, the net carrying amount of the long-lived asset shall be written down to the long-lived asset's fair value or replacement cost.

Multiple Sclerosis Society of Canada

Notes to Combined Financial Statements

December 31, 2021

(in thousands of dollars)

Research grants payable

Three research review committees, consisting of the Biomedical Committee, the Population & Clinical Health Committee and the Personnel Committee, review and recommend funding of research projects and personnel support on the dual criteria of scientific excellence and relevance to MS. The Medical Advisory Committee provides further advice and oversight and the National Board approves funding to researchers. Research grants payable in future years are recorded as a liability and are 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.

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, 2021

(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, several support expenditures are incurred that are shared between all areas. These support expenditures 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. Significant items subject to such estimates and assumptions include allocation of expenses and timing of payment of research grants payable. Actual results could differ from those estimates.

Multiple Sclerosis Society of Canada

Notes to Combined Financial Statements

December 31, 2021

(in thousands of dollars)

3 Investments

Investments comprise the following:

	2021 \$	2020 \$
Pooled funds held with RBC Phillips, Hager & North Investments		
Mortgage Pension Trust, Series O	1,520	1,398
Bond Fund, Series O	1,923	1,226
High Yield Bond Fund, Series O	1,527	10
Canadian Equity Fund, Series O	1,672	923
Canadian Money Market Fund, Series O	16	620
Small Float Fund Series O	749	469
RBC QUBE Low Volatility Equity Fund	1,559	1,436
RBC QUBE Low Volatility U.S. Equity Fund, Series O	460	899
RBC Emerging Markets Equity Fund, Series O	805	-
Short-Term Bond & Mortgage Fund	751	721
RBC Global Equity Focus Fund, Series O	3,256	1,904
iShares Core S&P 500 Index ETF	1,076	-
Funds held by other institutions		
Guaranteed investment certificates	65	177
Other	5	3
	15,384	9,786

For the year ended December 31, 2021, the total return generated by RBC Phillips, Hager & North Investments was 11.4% (2020 – 7.5%).

4 Capital assets

	2021		2020	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Office and computer equipment	1,578	1,435	143	143
Leasehold improvements	3,286	2,865	421	802
	4,864	4,300	564	945

5 Intangible assets

	2021		2020	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Computer software	5,665	5,573	92	261

Multiple Sclerosis Society of Canada

Notes to Combined Financial Statements

December 31, 2021

(in thousands of dollars)

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 90% (2020 – 92%) 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 (2020 – \$20).

Included in the transactions with the Foundation is \$3,069 (2020 – \$4,458) restricted for the endMS Campaigns. As at year-end, \$2,293 (2020 – \$2,351) remained payable to the Foundation.

As at year-end, \$499 (2020 – \$744) was remaining in accounts receivable, which relates to expenses incurred on behalf of the Foundation.

7 Long-term research grants payable

Of the long-term grants for research projects, \$1,769 will be paid in 2023 and \$966 will be paid in 2024. The fair value change in research grants payable was \$66 (2020 – \$25), which has been recorded in research expenses in the combined statement of operations.

8 Allocation of expenses

Shared support expenditures have been allocated as follows:

	2021 \$	2020 \$
Program and administration expenditures	875	1,608
Fundraising expenditures	940	1,354
	<hr/> 1,815	<hr/> 2,962

9 Government remittances payable

As at year-end, the Society had remittances payable to the government of \$119 (2020 – \$109) included in accounts payable and accrued liabilities. This represents payroll withholdings that were deducted in December 2021 and remitted in January 2022.

Multiple Sclerosis Society of Canada

Notes to Combined Financial Statements

December 31, 2021

(in thousands of dollars)

10 Change in non-cash working capital

	2021 \$	2020 \$
Accounts receivable	1,367	874
Prepaid expenses and supplies	558	(147)
Accounts payable and accrued liabilities	(2,339)	1,488
Payable to the Foundation	(58)	(446)
Deferred revenue	(493)	(651)
	<hr/>	<hr/>
	(965)	1,118
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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:

	\$
2022	1,541
2023	1,388
2024	1,001
2025	350
2026	305
Thereafter	154
	<hr/>
	4,739
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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 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.

Multiple Sclerosis Society of Canada

Notes to Combined Financial Statements

December 31, 2021

(in thousands of dollars)

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.

Liquidity risk

Liquidity risk is the risk the Society will not be able to meet its financial obligations as they fall due. The Society's approach is to ensure it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed circumstances. Cash flow projections are prepared and reviewed to ensure sufficient continuity of funding.

13 Credit facilities

The Society has access to a second revolving credit facility of \$5,000 that is due on demand and has not been drawn in the year. The Society also has a revolving credit facility of \$25 that is also due on demand and has not been drawn in the year. Borrowings under both credit agreements would bear interest at bank prime + 1.00%. The credit facilities are secured by a general securities agreement and by securities held in an account maintained with the Royal Trust Corporation of Canada.

14 Interfund transfers

On December 16, 2020, the Board of Directors approved an interfund transfer in the amount of \$434 from unrestricted net assets to internally restricted for research programs.

15 Subsequent event

On March 24, 2022, the Board of Directors approved a motion to internally restrict \$3,500 of the 2021 surplus to re-invest in the MS Community including accelerating momentum for MS Research, re-engaging the MS community, improving constituent digital experience and reimagining and modernizing programs.