

# **What the MS Society of Canada Does Not Want You to Know About their Finances**

**Ashton Embry, February 2, 2011**

## **Executive Summary**

First of all, it is important to realize that the Multiple Sclerosis Society of Canada (MSSC) is not a single charity but rather is a conglomeration of eight separate, but not at arm's length, charities. These include the National Office charity and one charity for each of the seven regions. There is also a Multiple Sclerosis Research Foundation (MSRF) which has a separate board but which is closely allied with MSSC. Most money in the MSRF comes from MSSC.

There are two sources of financial information for the charities which make up the Multiple Sclerosis Society of Canada. One is the Annual Report which MSSC makes available every year and the latest one is for the 2008-2009 fiscal year. It provides combined financial information for all the MSSC charities. The other source is the Registered Charity Information Returns which each MSSC charity files each year with the Canadian Revenue Agency and which are accessible on the CRA website. The latest ones are for 2008-2009.

The financial information provided by MSSC in their annual report is somewhat distorted by the accounting practice of not including all their direct fund raising costs as part of their expenditures and subtracting the same amount from their revenue. Such fund raising costs consume almost 45% of their total revenue and thus their exclusion makes the spending habits of MSSC look much rosier and responsible than they actually are.

Only the CRA Registered Charity Information Returns provide reliable information to allow a determination of the true state of MSSC financials.

The important financial facts for MSSC include:

- MSSC spends the majority of the money they raise on fund raising and administration.
- Research receives about 13 cents of every dollar raised by MSSC.
- Salaries for a staff complement of over 460 people amount to over \$20 million, almost 3 times what is spent on research.
- 25+ staff earn over \$80,000 and 9 staff earn over \$120,000.

- When times get tough and revenues decrease, the only cutbacks are in the research (“search for a cure”) budget. All other spending, including staff salaries, increase at this time.
- MSSC and MSRF have over \$31 million dollars in accounts across the country and there are no concrete plans on how to spend this huge amount of money.
- Only a small portion of the MSSC/MSRF money would be enough to fund a proper clinical trial to test the safety and effectiveness of CCSVI treatment

These financial facts, which MSSC apparently does not want their members and supporters to know about or else they would be present in the MSSC Annual Report, provide some insight into the priorities and values of MSSC. These include:

- Research spending is a relatively minor part of the MSSC budget (<13%) and is MSSC’s lowest priority. Thus MSSC’s claim they “want to be a leader in finding a cure” is very debatable.
- MSSC is not transparent and accountable in regards to their financial information given the great differences between what one can glean from their annual report versus what is available in the CRA reports.
- MSSC is not using their resources responsibly given they have over \$30 million which is not earmarked for any specific purpose.
- MSSC does not want to determine if CCSVI treatment is safe and effective as shown by the fact they could easily fund a proper trial using a small part of their uncommitted millions without any negative effects on their operations and charitable activities.

If someone truly wants to help persons with MS, contributing to the MS Society of Canada is not the best way to do this given the demonstrated priorities and values of the society. Contributions to help those with MS are best directed to MS charities which spend the majority of their revenue on research and which see the need for funding a proper clinical trial on CCSVI as soon as possible.

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## Introduction

Last year the MS Society of Canada did an odd thing. When it came to announcing the amount of money they were putting toward CCSVI research, they combined the money they had committed to spend for two years with that committed by the National Multiple Sclerosis Society (NMSS), an American charity. This came to a grand total of \$2.4 million which sounds like a lot of money. I have seen a number of columnists over the last year mistakenly say that MSSC is spending \$2.4 million on CCSVI research. Such common errors may help to explain why MSSC did this.

Of course, when you look more closely at the MSSC funding commitments to CCSVI, it becomes apparent that MSSC will be spending only \$350,000 a year on CCSVI, a very paltry amount. In fact, such an amount represents just over 00.5% of the money raised by MSSC each year. It seems that MSSC is making their very minor CCSVI spending look as good as possible with the unprecedented action of combining their announced funding commitment with that of a foreign charity.

At that time, I thought to myself, if MSSC uses such methods to help their meagre CCSVI research funding look good, what other financial reports are being “dressed up”. A year ago, the science and politics of CCSVI were unfolding at a blinding pace and I did not have the time to look over the financials of MSSC to see how they were reporting their revenue and expenditure numbers and whether or not the real situation was readily apparent. Recently, I found some time to have a look at this issue and this article summarizes my current findings on MSSC financials.

## Financial Information from the MSSC Annual Report

First of all, things are not as simple as I thought they would be regarding a determination of the “financial state of the union” of MSSC. For a start, I downloaded the most recent MSSC “annual report” which is for the 2008-2009 fiscal year and is called the “National Impact Report”

(<http://mssociety.ca/en/community/mssc/annualreport.htm>). In it, there is a one page “Statement of revenue and expenditure” which I thought would provide the data I was seeking and it is in Appendix 1. However, there were two problems.

The biggest one concerned a note saying the “donations and fund raising events” revenue amount was “**net of related expenses**”. They did report “indirect fundraising” at \$1.6 million. This seemed most strange that only a part of the fund raising costs were

reported and an alarm bell went off. Somehow, It did not seem transparent and accountable for MSSC to not include part (most?) of their fund raising costs in their expenditures and to deduct such costs from their revenues.

I was also interested in seeing the amount spent on research to determine what percentage of revenue went to research. There were two entries under research expenditures, with one including training. Given I was after net research expenditure, this was a minor, but annoying problem.

The 2008-2009 financial statement in the MSSC “National Impact Report” listed revenues of \$33.7 million with expenditures of \$34.1 million for a loss of \$.4 million. The expenditures on research, including some training, were reported as \$8.5 million which allowed them to claim they were spending about 25 cents of every dollar received on research (as shown on their pie chart). However, the fact that MSSC had not included some of their fund raising costs on the revenue side meant this number had to be somewhat less, and how much less was the big question.

### **Financial Information from “Registered Charity Information Returns”**

As I was wondering if I would ever get a good picture of MSSC finances, Chris Alkenbrack posted a message on Facebook noting that the MS Society’s financial 2008-2009 statements, which had been submitted to the Canadian Revenue Agency (CRA), were available on line at (<http://www.cra-arc.gc.ca/chrts-gvng/lstngs/menu-eng.html>) (see Appendix 2). Bonanza! A quick read through of these documents, called registered charity information returns, indicated that they would undoubtedly provide a much more detailed and transparent look at the financials of MSSC.

My first discovery was that the MS Society of Canada is not one charity but is actually a conglomeration of eight different charities. The MSSC family of charities includes the National Office charity as well as a separate charity for each of the 7 regions – Atlantic, Quebec, Ontario, Manitoba, Saskatchewan, Alberta and British Columbia. Finally, there is a ninth entity, the Multiple Sclerosis Scientific Research Foundation which differs somewhat from the other eight but is still part of the overall MSSC family. Its contribution to the “real financial situation of MSSC” will be discussed later.

Each charity submitted its own return which included information on their assets and liabilities as well as their annual revenues and expenditures. The best news was that all fund raising revenue and costs were included in these statements and not expunged like they were in MSSC annual report. Now I had the data I needed to see what the real finances of MSSC looked like and to see if they were being “transparent and accountable” when it came to their financial disclosures in their National Impact Report (i.e. Annual Report).

One complication of MSSC being a number of charities is that the charities are not at arm's length and the national charity and the regional charities send money back and forth to each other. Thus, when compiling the big financial picture, these "back and forth" funds have to be accounted for so as to not count them twice. After a little frustration, I was able to do this to my satisfaction and was able to see the real financial picture of MSSC.

## Revenue

Regarding revenue, the CRA statements revealed that MSSC brings in about \$60.2 million which is a far cry from the \$33.7 million MSSC reported in their National Impact Report. The difference is due to the fact **MSSC deducted a whopping \$26.5 million from their revenue total** because this was their expense "related to donations and fundraising events". **It doesn't take a rock scientist to understand why MSSC did not report that gargantuan amount spent on fund raising in their annual report because it is almost 45% of their entire revenues!**

## Expenditures

The total expenditures for the eight national and regional MS Society of Canada charities was about \$60.1 million and this number was broken down in various ways in the CRA charity information returns. The main way was:

- \$27.5 million for fundraising,
- \$4.1 for administration,
- \$1.5 million for political lobbying and
- \$27 million for charitable purposes.

**The bottom line is, no matter how much you massage those numbers, MSSC spends the majority of their revenues on fund raising and administration.** That said, I was still impressed that they spent \$27 million on charitable activities and wondered where all that money went.

## Expenditure on Research

In terms of research, the total expenditure was \$7.7 million and this number is found on the return from the National Office charity. Other regional charities include research spending in their expenditures but these funds were transferred to the National Office charity so cannot be counted in the research total. The \$7.7 million amount is somewhat less than the \$8.5 million touted in the annual report but, as noted previously, that amount also included funds for training (presumably \$.8 million).

So now we know what MSSC spends on research. **It is clear that less than 13 cents of every hard earned and well intentioned dollar raised by the Society goes to research.** To me, that is a very sad and pathetic statistic which tells you a lot about the priorities of MSSC. Furthermore, their financial reporting that they spend 25 cents of each dollar on research was twice as high as the real percentage because they had deducted such a huge amount from their revenues before they made such a calculation. **There is no doubt that the most important statistic is that they spend about 13% of their total revenues on research.** I leave it to the reader to decide if their method of reporting the percentage spent on research is a transparent and accountable number.

### **Other Charitable Expenditures**

So that leaves us with about \$19.3 million dollars of charitable expenditure outside of research (27-7.7). Where does this money go? The CRA returns indicate about \$13.6 million goes to salaries of staff members who supposedly carry out their charitable programs and the final \$5.7 million goes to the actual programs themselves. I am not going to comment on whether or not persons with MS in Canada are getting their money worth out of this \$19.3 million on programs but I again have to emphasize that the lion's share of this "charitable funding" going straight into the pockets of MSSC staff. Of course, one has to ask if whether these staff members also participate in fund raising activities. If they do, then part of their salaries should really be taken from the charity programs category and put into the fund raising category.

### **Analysing the Expenditures**

In terms of MSSC expenditures, I have suggested in the past that MSSC spends about 80% of their total revenue on salaries, fund raising and administration. The information from the CRA submissions supports my assertion and shows that MSSC spends at least 78% of their revenues on salaries (\$20.6 million), fund raising net of salaries (\$24 million) and administration/government lobbying net of salaries (\$2.1 million). I used the words "at least" because various expenditures included in charitable activities almost certainly include a fund raising portion (e.g. the quarterly mail-outs to supporters, which include overt requests for money, are classified as a charitable activity because they contain other information).

The 2008-2009 fiscal year was a tough one for MSSC in terms of fund raising due to the major global recession. According to the information in the Annual Report, their revenues declined by about \$3.2 million from what was raised in 2007-2008. To compensate for this substantial decline, their financial statements show **the only line item which underwent cuts was research (a \$ 4.2 million cut or 33%)**. Notably, MSSC slashed research by \$1 million more than their loss in revenue and this allowed them to increase spending in all other categories, including salaries.

These actions clearly show MSSC's lack of commitment to research given it is obviously their lowest priority when it comes to spending money. MSSC's oft-quoted mission, "To be a leader in finding a cure for multiple sclerosis", rings hollow when the financial facts become apparent. **The only activity to get cut in the 2008-2009 downturn was MSSC's effort to find a cure (33% cut). All other spending activities thrived and enjoyed increases.**

## **Reserve Funds**

The last big question that needs answering is how much money does MSSC have in reserve. The financial information provided in the MSSC Annual Report does not include a shred of data which would help to answer this important question. However, the CRA registered charity information returns for the MSSC family of charities, including their MS Research Foundation, provides the answer to this most important question.

On each of the nine charities' CRA returns, the assets and liabilities of the charity are listed. From this information, it is relatively easy to get a good idea of the amount of money that has no financial call (liability) on it for each charity. When you add up all the money which is stored away by all the MSSC charities you get a total of \$16.5 million. Furthermore an impressive \$15 million resides in the Multiple Sclerosis Research Foundation.

MSSC and the related MSRF have over \$31 million in the bank with no current plans on how to spend it. Given this, MSSC and/or MSRF could easily finance a proper clinical trial to test the safety and effectiveness of CCSVI any time they wished to do so. In fact, they could bankroll three or four of such trials without any effect on their charitable programs or anything else that falls within the \$60 million+ budget they spend every year.

## **Summary**

In summary, the financial statements MSSC presented in their annual report tend not to provide the real financial picture of MSSC and its priorities for spending. The CRA registered charity information returns provide the necessary details to uncover the financial facts that presumably MSSC does not want their members and supporters to know, given they are not in their annual report.

Such financial facts include

- MSSC spends the majority of the money they raise on fund raising and administration.
- Research receives less than 13 cents of every dollar raised.

- Staff salaries amount to over \$20 million, almost 3 times what is spent on research.
- When times get tough, the only cutbacks are in the research budget. All other spending, including staff salaries, increase at this time.
- MSSC and the related MSRF have over \$31 million dollars in accounts across the country and have no concrete plans on how to spend this huge pile of money.
- Only a small portion of the huge MSSC/MSRF “reserve funds” would be enough to fund a proper clinical trial to test the safety and effectiveness of CCSVI treatment

I find these financial facts somewhat disheartening and they help to explain why so little progress has been made in finding an effective treatment for MS. “Finding a cure” is clearly not near the top of MSSC’s priorities as demonstrated by the major financial cuts this activity received as opposed to increase for all other activities. I can only urge everyone to seriously consider all of these established facts before contributing to MSSC.

If one wants to help persons with MS, then I suggest that contributions be made to charities that spend the majority of their funds on research and which want to see a CCSVI clinical trial happen as soon as possible.