

CANADIAN PULMONARY FIBROSIS FOUNDATION

FINANCIAL STATEMENTS

JULY 31, 2020

CANADIAN PULMONARY FIBROSIS FOUNDATION

FINANCIAL STATEMENTS

JULY 31, 2020

TABLE OF CONTENTS

Independent Auditor's Report	1 - 3
Statement of Financial Position	4
Statement of Operations	5
Statement of Changes in Net Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 11

INDEPENDENT AUDITOR'S REPORT

To the Directors of
Canadian Pulmonary Fibrosis Foundation

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Canadian Pulmonary Fibrosis Foundation (the "Organization"), which comprise the statement of financial position as at July 31, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at July 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, excess of revenue over expenses, and cash flows from operations for the years ended July 31, 2020 and 2019, current assets and liabilities as at July 31, 2020 and 2019, and net assets as at August 1 and July 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended July 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

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 Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

INDEPENDENT AUDITOR'S REPORT (cont'd)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization'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 organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Organization's internal control.

INDEPENDENT AUDITOR'S REPORT (cont'd)

- ♦ 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 Organization'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 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 Organization to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Report on Other Legal and Regulatory Requirements

As required by the Corporations Act (Ontario), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Toronto, Ontario
January 7, 2021

Chartered Professional Accountants
Licensed Public Accountants

CANADIAN PULMONARY FIBROSIS FOUNDATION

Statement of Financial Position

As at July 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash		
Unrestricted	\$ 849,889	\$ 608,713
Internally restricted (note 4)	46,027	86,027
Externally restricted (note 5)	149,500	254,900
Short-term investments (note 3)	411,771	377,034
Government remittances recoverable	14,178	5,427
Inventory	1,750	1,750
Prepaid expenses	1,621	1,621
	\$ 1,474,736	\$ 1,335,472
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 33,165	\$ 20,467
Deferred revenue (note 5)	149,500	254,900
	182,665	275,367
NET ASSETS		
Unrestricted	1,246,044	974,078
Internally restricted (note 4)	46,027	86,027
	1,292,071	1,060,105
	\$ 1,474,736	\$ 1,335,472

On behalf of the Organization

Director

Director

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

CANADIAN PULMONARY FIBROSIS FOUNDATION

Statement of Operations

For the year ended July 31, 2020

	2020	2019
REVENUE		
Foundation grants (note 5)	\$ 699,418	\$ 136,000
Donations and fundraising	294,478	278,184
Interest income	3,998	6,801
	997,894	420,985
CHARITABLE EXPENSES		
Grants to charities	490,250	132,206
Salaries and benefits (note 7)	92,267	92,744
Patient support	59,628	24,791
Awareness and advocacy	37,706	4,858
Support website costs	11,830	10,230
Fundraising event costs	4,285	2,672
Program education and consulting	2,129	940
	698,095	268,441
EXCESS OF REVENUE OVER CHARITABLE EXPENSES	299,799	152,544
ADMINISTRATIVE EXPENSES		
Professional fees	22,979	21,040
Office and general	14,769	11,995
Travel and meeting costs (note 7)	13,186	9,396
Telephone	7,436	4,295
Interest and bank charges	6,103	3,475
Insurance	3,360	4,120
	67,833	54,321
EXCESS OF REVENUE OVER EXPENSES	\$ 231,966	\$ 98,223

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

CANADIAN PULMONARY FIBROSIS FOUNDATION

Statement of Changes in Net Assets

For the year ended July 31, 2020

	Unrestricted	Internally Restricted	Total 2020	Total 2019
BALANCE, BEGINNING OF YEAR	\$ 974,078	\$ 86,027	\$ 1,060,105	\$ 961,882
Excess of revenue over charitable expenses	231,966	-	231,966	98,223
Transfer from internally restricted fund (note 4)	40,000	(40,000)	-	-
BALANCE, END OF YEAR	\$ 1,246,044	\$ 46,027	\$ 1,292,071	\$ 1,060,105

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

CANADIAN PULMONARY FIBROSIS FOUNDATION

Statement of Cash Flows

For the year ended July 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 231,966	\$ 98,223
Change in non-cash working capital items:		
Decrease (increase) in government remittances recoverable	(8,751)	6,766
Increase in accounts payable and accrued liabilities	12,698	7,321
Increase (decrease) in deferred revenue	(105,400)	254,900
	130,513	367,210
INVESTING ACTIVITY		
Increase in short-term investments	(34,737)	(11,916)
NET INCREASE IN CASH, DURING THE YEAR	95,776	355,294
CASH, BEGINNING OF YEAR	949,640	594,346
CASH, END OF YEAR	\$ 1,045,416	\$ 949,640
CASH CONSISTS OF:		
Unrestricted cash	\$ 849,889	\$ 608,713
Internally restricted cash	46,027	86,027
Externally restricted cash	149,500	254,900
	\$ 1,045,416	\$ 949,640

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

CANADIAN PULMONARY FIBROSIS FOUNDATION

Notes to Financial Statements

July 31, 2020

1. PURPOSE OF THE ORGANIZATION

The Canadian Pulmonary Fibrosis Foundation of Ontario (“CPFF” or the “Organization”) is a not-for-profit organization incorporated on August 19, 2009 under the laws of Ontario without share capital for the purposes of raising funds for research into the causes and possible treatment of pulmonary fibrosis and to provide support to those suffering from the disease and their families.

CPFF received registered charity status under the Income Tax Act on November 9, 2009 and is exempt from income taxes.

CPFF raises funds by various means including soliciting direct gifts from the public, golf tournament and other fund-raising events as may be approved from time to time. The funds so raised are used to donate to other Canadian registered charities for the purpose of researching the causes, treatment and care for patients with pulmonary fibrosis. CPFF has also developed a website to provide support and advice for people with pulmonary fibrosis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (“ASNPO”) and are in accordance with Canadian generally accepted accounting principles. The significant accounting policies set out below have been applied in the preparation of the Organization’s financial statements for July 31, 2020 and have been applied on a basis consistent with that of the previous year.

(a) Revenue Recognition

The Organization follows the deferral method of accounting for contributions. Under this method, unrestricted contributions from donations are recognized as revenue in the current period and restricted contributions are recognized as revenue in the period the related expenses are incurred.

Fundraising revenue is recognized when the events are completed and when received or receivable.

Donations-in-kind are recognized when the fair value can be reasonably estimated either using the market or appraisal values at the date of the donation.

Interest income is recorded in the statement of operations when earned.

CANADIAN PULMONARY FIBROSIS FOUNDATION

Notes to Financial Statements

July 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Short-term Investments

Investments are classified separately in current assets since even though they are capable of reasonably prompt liquidation, it is not management's intention to utilize for operating cash requirements.

(c) Inventory

Inventory of purchased goods for fundraising is valued at lower of cost and replacement value. The cost is determined using a weighted average cost basis.

(d) Contributed Materials and Services

From time to time, volunteers contribute their services to the Organization's programs and activities. Since these services are not normally purchased by the Organization and due to the difficulty in determining and measuring the fair value of such services, they are not recognized in these financial statements.

(e) Financial Instruments

Measurement of Financial Instruments

The Organization initially measures its financial assets and liabilities at fair value. The Organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include short-term investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

(f) Use of Estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items requiring estimates and assumptions include the fair value of donations-in-kind. These estimates are reviewed periodically and adjustments made to income in the period such adjustments occur.

3. SHORT-TERM INVESTMENTS

Short-term investments comprise a savings account in the amount of \$211,771 (\$377,034 in 2019) and a guaranteed investment certificate in the amount of \$200,000 which matures on January 18, 2021 and earns interest at a rate of 2.47%. Interest income on short-term investments amounted to \$3,998 (\$6,801 in 2019).

CANADIAN PULMONARY FIBROSIS FOUNDATION

Notes to Financial Statements

July 31, 2020

4. INTERNALLY RESTRICTED FUND

The Organization maintains an internally restricted fund to be used for research grants to qualified candidates. During the year, the Board approved research grant payments totaling \$40,000. Since these amounts were paid from the unrestricted bank account, a corresponding amount was transferred from the internally restricted fund to the unrestricted fund leaving a balance of \$46,027 in the internally restricted fund. The Organization may not use these internally restricted amounts for any other purpose without the approval of the Board of Directors.

5. FOUNDATION GRANTS AND DEFERRED REVENUE

During the year, the Organization received the following grants:

i) \$149,500 from two pharmaceutical companies for the 2020 Awareness campaign which includes hosting Patient and Caregiver days and the Forever Lungs Ride. As the activities have not yet been completed and therefore, the grant funds not utilized at the year-end, the amounts were recorded as deferred revenue and as externally restricted assets at the year-end.

ii) \$360,000 from two pharmaceutical companies to fund four fellowship awards. These awards were paid out in the current year and recognized as grant revenue.

iii) \$30,100 which was utilized to conduct a patient survey, \$9,418 for hosting a webinar titled "Managing Pulmonary Fibrosis during COVID-19" and \$45,000 for CPFF Patient and Caregiver Education Forum. Accordingly, the entire amount of these grants have been recognized as revenue.

In addition, a total of \$254,900 grants received in the 2019 fiscal year were utilized in the current year as follows: \$164,900 to pay for hosting patient education days and updating the patient guide and \$90,000 to pay for fellowship awards. These amounts were recognized as revenue in the current year.

6. FINANCIAL INSTRUMENTS

Risks and Concentrations

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure and concentrations at July 31, 2020 which did not change significantly from the previous period unless otherwise noted.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is primarily exposed to credit risk from its cash and short-term investments held at two financial institutions. The Organization's banks are established reputable financial institutions in Canada and therefore believes this risk is not significant.

CANADIAN PULMONARY FIBROSIS FOUNDATION

Notes to Financial Statements

July 31, 2020

6. FINANCIAL INSTRUMENTS (cont'd)

Liquidity Risk

Liquidity risk is the risk that the Organization will not be able to meet its financial obligation as they become due. CPFF is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and unutilized grants. The Organization expects to meet these obligations as they come due by ensuring that grant funds are monitored separately and from its operations, and believes the exposure was not significant at the year-end.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the year-end, the Company held a fixed interest rate guaranteed investment certificate which subjects the Company to a fair value risk. Management does not consider this risk to be significant given the Company's sound financial position.

7. RELATED PARTY TRANSACTIONS

The following related party transactions occurred during the year:

- a) The Organization paid its Executive Director salaries and benefits of \$92,267 (\$92,744 in 2019) based on approved compensation arrangements.
- b) The Organization paid its directors a total amount of \$13,186 (\$9,396 in 2019) which represents reimbursement for meeting costs relating to Organization's annual general meeting and Board of Directors meetings.