

**CANADIAN PULMONARY FIBROSIS FOUNDATION**

**FINANCIAL STATEMENTS**

**JULY 31, 2021**

# **CANADIAN PULMONARY FIBROSIS FOUNDATION**

## **FINANCIAL STATEMENTS**

**JULY 31, 2021**

### **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 - 12

## 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, 2021, 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, 2021, 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, 2021 and 2020, current assets and liabilities as at July 31, 2021 and 2020, and net assets as at August 1 and July 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended July 31, 2020 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  
November 15, 2021

Chartered Professional Accountants  
Licensed Public Accountants

# CANADIAN PULMONARY FIBROSIS FOUNDATION

## Statement of Financial Position

As at July 31, 2021

	2021	2020
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 1,164,015	\$ 849,889
Internally restricted cash (note 4)	6,027	46,027
Externally restricted cash (note 5)	130,000	149,500
Short-term investments (note 3)	452,018	411,771
Government remittances recoverable	12,834	14,178
Inventory	1,750	1,750
Prepaid expenses	1,621	1,621
	<b>\$ 1,768,265</b>	<b>\$ 1,474,736</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 97,128	\$ 33,165
Deferred revenue (note 5)	130,000	149,500
	<b>227,128</b>	<b>182,665</b>
<b>NET ASSETS</b>		
Unrestricted	1,535,110	1,246,044
Internally restricted (note 4)	6,027	46,027
	<b>1,541,137</b>	<b>1,292,071</b>
	<b>\$ 1,768,265</b>	<b>\$ 1,474,736</b>

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, 2021

	2021	2020
<b>REVENUE</b>		
Foundation grants (note 5)	\$ 405,501	\$ 699,418
Donations and fundraising	404,409	294,478
Interest income	5,787	3,998
	<b>815,697</b>	<b>997,894</b>
<b>CHARITABLE EXPENSES</b>		
Grants to charities	220,000	490,250
Awareness and advocacy	126,899	74,613
Patient support	80,113	80,849
Support website costs	27,325	11,830
Program education and consulting	26,510	23,351
Fundraising event costs	5,033	4,285
	<b>485,880</b>	<b>685,178</b>
<b>EXCESS OF REVENUE OVER CHARITABLE EXPENSES</b>	<b>329,817</b>	<b>312,716</b>
<b>ADMINISTRATIVE EXPENSES</b>		
Professional fees	29,566	22,979
Office and general	14,728	14,769
Salaries and benefits	14,374	12,917
Telephone	7,412	7,436
Interest and bank charges	5,993	6,103
Travel and meeting costs (note 8)	5,047	13,186
Insurance	3,631	3,360
	<b>80,751</b>	<b>80,750</b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$ 249,066</b>	<b>\$ 231,966</b>

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, 2021

	Unrestricted	Internally Restricted	Total 2021	Total 2020
<b>BALANCE, BEGINNING OF YEAR</b>	\$ 1,246,044	\$ 46,027	\$ 1,292,071	\$ 1,060,105
Excess of revenue over charitable expenses	249,066	-	249,066	231,966
Transfer from internally restricted net assets (note 4)	40,000	(40,000)	-	-
<b>BALANCE, END OF YEAR</b>	\$ 1,535,110	\$ 6,027	\$ 1,541,137	\$ 1,292,071

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, 2021

	2021	2020
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 249,066	\$ 231,966
Change in non-cash working capital items:		
Decrease (increase) in government remittances recoverable	1,344	(8,751)
Increase in accounts payable and accrued liabilities	63,963	12,698
Decrease in deferred revenue	(19,500)	(105,400)
	294,873	130,513
<b>INVESTING ACTIVITIES</b>		
Decrease in internally restricted cash	40,000	40,000
Decrease in externally restricted cash	19,500	105,400
Increase in short-term investments	(40,247)	(34,737)
	19,253	110,663
<b>NET INCREASE IN CASH, DURING THE YEAR</b>	314,126	241,176
<b>CASH, BEGINNING OF YEAR</b>	849,889	608,713
<b>CASH, END OF YEAR</b>	\$ 1,164,015	\$ 849,889

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

# CANADIAN PULMONARY FIBROSIS FOUNDATION

## Notes to Financial Statements

July 31, 2021

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### 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, corporate sponsorships/grants and various fund-raising events as may be approved from time to time. The funds so raised are used to support the Vision and Mission of the Organization.

The CPFF Vision statement is:

Creating hope and giving a voice to the pulmonary fibrosis community.

The Organization’s Mission statement is:

- Educate and raise awareness
- Support patients and caregivers
- Support research that benefits patients
- Give a voice to patients

The outbreak of COVID-19 has resulted in governments enacting emergency measures including various public health and safety protocols, government restrictions and financial assistance. While vaccine supplies have become available, it is expected to take some time before herd immunity is reached. At the date of approval of these financial statements, it is still not possible to reliably estimate the effect of these developments as well as the impact on the financial results and condition of the Organization in future periods. Management is monitoring these developments on the Organization’s operations and is taking all steps to ensure that the Organization is following all public health and safety protocols.

### 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, 2021 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 in unrestricted net assets and restricted contributions are deferred and recognized as revenue in the period the related expenses are incurred in restricted net assets.

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

# CANADIAN PULMONARY FIBROSIS FOUNDATION

## Notes to Financial Statements

July 31, 2021

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

#### (a) Revenue Recognition (cont'd)

Foundation grants are recognized as revenue in the period the grants are received or receivable provided the terms and conditions of the grants are complied with.

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.

#### (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 and cash.

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

# CANADIAN PULMONARY FIBROSIS FOUNDATION

## Notes to Financial Statements

July 31, 2021

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

#### (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.

#### (g) Allocated expenses

The Organization adopted a new accounting policy to account for expenses allocable by function on a retrospective basis to provide more meaningful information. As a result, wages and salaries paid to the Organization's Executive Director were allocated based on the approximate number of hours worked per function (see note 7).

### 3. SHORT-TERM INVESTMENTS

Short-term investments comprise a high interest investment savings account in the amount of \$452,018 (\$211,771 in 2020). The 2020 guaranteed investment certificate in the amount of \$200,000 matured on January 18, 2021 and on maturity, the balance was transferred to the savings account. Interest income on short-term investments amounted to \$5,787 (\$3,998 in 2020).

### 4. INTERNALLY RESTRICTED NET ASSETS

The Organization maintains internally restricted net assets to be used for research grants to qualified candidates. During the year, the Board approved research grant payments totaling \$40,000 (\$40,000 in 2020). Since these amounts were paid from the unrestricted bank account, a corresponding amount was transferred from internally restricted net assets to the unrestricted net assets leaving a balance of \$6,027 in internally restricted net assets. The Organization may not use these internally restricted amounts for any other purpose without the approval of the Board of Directors.

# CANADIAN PULMONARY FIBROSIS FOUNDATION

## Notes to Financial Statements

July 31, 2021

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### 5. FOUNDATION GRANTS AND DEFERRED REVENUE

During the year, the Organization received the following grants:

Deferred revenue:

\$130,000 from one pharmaceutical company to fund the Canadian Pulmonary Fibrosis Foundation Fellowship Grant. As the fellowship grants have not yet been awarded, the amounts were recorded as deferred revenue at the year-end.

Foundation grants:

\$180,000 from one pharmaceutical company to fund two fellowship awards. The grant was recognized as revenue in the current year since the fellowship awards were paid out in the current year.

\$76,001 from two pharmaceutical companies to produce a patient video and for french translation of public relation documents. The grants were recognized as revenue in the current year since the costs were paid out in the current year and recorded under awareness and advocacy expenses.

In addition, a total of \$149,500 grants received in the 2020 fiscal year were utilized and recognized as revenue in the current year for the awareness campaign which includes hosting Patient and Caregiver days and the Hope Breathes Here Campaign.

### 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, 2021 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.

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 totalling \$130,000. The Organization believes the exposure was not significant at the year-end.

# CANADIAN PULMONARY FIBROSIS FOUNDATION

## Notes to Financial Statements

July 31, 2021

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### 6. FINANCIAL INSTRUMENTS (cont'd)

#### 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 Organization held a high interest investment savings account (see Note 3) which subjects the Organization to a fair value risk. Management does not consider this risk to be significant given the Organization's sound financial position.

### 7. ALLOCATION OF EXPENSES BY FUNCTION

Wages and salaries paid to the Organization's Executive Director were allocated based on the approximate number of hours worked per function. Wages and salary costs were allocated as follows:

	2021 (%)	2020 (%)
In Percentages:		
Awareness and advocacy	\$ 40	\$ 40
Patient support	23	23
Program education and consulting	23	23
General and administrative	14	14

  

	2021	2020
Awareness and advocacy	\$ 41,069	\$ 36,907
Patient support	23,614	21,221
Program education and consulting	23,614	21,221
General and administrative	14,374	12,918
	\$ 102,671	\$ 92,267

For the year ended July 31, 2020, \$92,267 in salaries and benefits have been reclassified to conform to the expense allocation by function adopted in the current year's financial statements.

### 8. RELATED PARTY TRANSACTIONS

The following related party transactions occurred during the year:

- The Organization paid its Executive Director salaries and benefits of \$102,671 (\$92,267 in 2020) based on approved compensation arrangements.
- The Organization paid its directors a total amount of \$5,047 (\$13,186 in 2020) which represents reimbursement for meeting costs relating to the Organization's annual general meeting and Board of Directors meetings.