

CANADIAN PULMONARY FIBROSIS FOUNDATION

FINANCIAL STATEMENTS

JULY 31, 2016

CANADIAN PULMONARY FIBROSIS FOUNDATION

FINANCIAL STATEMENTS

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Schwartz Levitsky Feldman Iip

CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS
TORONTO • MONTREAL

INDEPENDENT AUDITOR'S REPORT

The Directors and Members of
Canadian Pulmonary Fibrosis Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Canadian Pulmonary Fibrosis Foundation, which comprise the statement of financial position as at July 31, 2016 and the statements of operations and changes in net assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Canadian Pulmonary Fibrosis Foundation derives revenue from fundraising activities and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the books by Canadian Pulmonary Fibrosis Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising and donation revenues, excess of revenue over expenses, and cash flows from operations for the year ended July 31, 2016, current assets and net assets as at July 31, 2016.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Canadian Pulmonary Fibrosis Foundation as at July 31, 2016 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.

Comparative Information

Without modifying our opinion, we draw attention to Note 5 of the financial statements which describes that the Organization adopted Canadian accounting standards for not-for-profit organizations on August 1, 2015 with a transition date of August 1, 2014. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at July 31, 2015 and August 1, 2014, and the statements of operations and changes in net assets and cash flows for the year ended December 31, 2015 and related disclosures. We were not engaged to report on the restated comparative information, and as such it is unaudited.

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.

/s/SCHWARTZ LEVITSKY FELDMAN LLP

Toronto, Ontario
January 27, 2017

Chartered Accountants
Licensed Public Accountants

CANADIAN PULMONARY FIBROSIS FOUNDATION

Statement of Financial Position

As at July 31, 2016

	July 31, 2016	July 31, 2015	August 1, 2014
		(Unaudited) (Note 5)	(Unaudited) (Note 5)
ASSETS			
CURRENT ASSETS			
Cash	\$ 369,398	\$ 178,110	\$ 50,393
Short-term investments	332,932	323,468	95,509
Accounts receivable	2,450	-	16,931
Inventory	1,842	4,633	4,633
Due from government authorities	53,362	38,951	24,666
Incorporation costs	-	948	948
	<u>\$ 759,984</u>	<u>\$ 546,110</u>	<u>\$ 193,080</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$ 46,330	\$ 21,047	\$ 22,394
NET ASSETS			
UNRESTRICTED	<u>713,654</u>	<u>525,063</u>	<u>170,686</u>
	<u>\$ 759,984</u>	<u>\$ 546,110</u>	<u>\$ 193,080</u>

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

APPROVED ON BEHALF OF THE ORGANIZATION

_____ Director

_____ Director

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CANADIAN PULMONARY FIBROSIS FOUNDATION

Statement of Operations and Changes in Net Assets

For the year ended July 31, 2016

	<u>2016</u>	<u>2015</u>
		(Unaudited) (Note 5)
REVENUE		
Foundation grants	\$ 323,476	\$ 389,150
Contributions	208,215	192,618
Fundraising	3,768	76,875
Interest income	3,434	1,011
	<u>538,893</u>	<u>659,654</u>
CHARITABLE EXPENSES		
Grants to charities	176,000	73,375
Program education and consulting	61,707	65,672
Patient support	37,253	80,581
Awareness and advocacy	27,601	9,328
Support website costs	10,777	3,892
Fundraising event costs	4,626	44,322
	<u>317,964</u>	<u>277,170</u>
EXCESS OF REVENUE OVER CHARITABLE EXPENSES	<u>220,929</u>	<u>382,484</u>
OTHER EXPENSES		
Professional fees	11,260	4,125
Office and general	8,290	13,754
Travel	7,783	4,820
Telephone	2,718	3,010
Bank charges and interest	2,287	2,398
	<u>32,338</u>	<u>28,107</u>

EXCESS OF REVENUE OVER EXPENSES	188,591	354,377
Net assets, beginning of year	525,063	170,686
NET ASSETS, END OF YEAR	\$ 713,654	\$ 525,063

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

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CANADIAN PULMONARY FIBROSIS FOUNDATION
Statement of Cash Flows
For the year ended July 31, 2016

	2016	2015
		(Unaudited) (Note 5)
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 188,591	\$ 354,377
Adjustment for non-cash item:		
Incorporation costs	948	-
Net changes in non-cash working capital items:		
Short-term investments	(9,464)	(227,959)
Accounts receivable	(2,450)	16,931
Inventory	2,791	-
Due from government authorities	(14,411)	(14,285)
Accounts payable and accrued liabilities	25,283	(1,347)
	2,697	(226,660)
NET INCREASE IN CASH, DURING THE YEAR	191,288	127,717
Cash, beginning of year	178,110	50,393
CASH, END OF YEAR	\$ 369,398	\$ 178,110

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

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CANADIAN PULMONARY FIBROSIS FOUNDATION

Notes to Financial statements

July 31, 2016

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 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.

1. 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, 2016, the comparative financial information for the year ended July 31, 2015, and the opening statement of financial position at August 1, 2014, the date of transition.

a) Contributions

The Organization follows the deferral method of accounting for contributions. Under this method, unrestricted contributions from fees, and other sales are recognized as revenue when received. Restricted contributions are recognized as revenue in the period the related expenses are incurred. The Organization did not receive any restricted contributions in 2015 and 2016.

b) Revenue Recognition

Foundation grants are received mainly from pharmaceutical companies are recognized as revenue based in the period the grants were approved and received.

Unrestricted contributions are recognized in the period received. Fundraising revenue is recognized when the events are completed and when cash is received.

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

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CANADIAN PULMONARY FIBROSIS FOUNDATION

Notes to Financial statements

July 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

c) Short-term Investments

Investments comprising term deposits with a maturity date of greater than 91 days and less than 12 months, mutual funds and bonds that are traded in an active market, are classified as short-term as it is not management's intention to utilize for operating cash requirements.

d) Inventory

Inventory of purchased goods for fundraising is valued at lower of cost and net realizable value. The cost is determined using a weighted average basis and includes all direct costs. Net realizable value is the estimated selling price of the item less related selling costs.

e) 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 of determining the fair value of such services, they are not recognized in these financial statements.

f) 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, except for investments that are quoted in an active market, which are measured at fair value. Changes in fair value of financial instruments are recognized in net income. Financial assets measured at amortized cost include accounts receivable and short-term investments. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

g) Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for Not-for-profit Organization 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 recording of accrued liabilities. These estimates are reviewed periodically and adjustments made to income in the period such adjustments occur.

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CANADIAN PULMONARY FIBROSIS FOUNDATION

Notes to Financial statements

July 31, 2016

2. COMMITMENTS

a) Research initiatives

CPFF has entered into strategic partnerships to support important research initiatives including:

- In collaboration with The University Hospital Foundation “UHF”, CPFF is funding the payroll cost of a dedicated clinical nurse for the Interstitial Lung Disease “ILD” Ambulatory Clinic at the Kaye Edmonton Clinic. The CPFF is committed to UHF for a total of \$100,000 each for 2016 and 2017. The funds provided can only be used for the above mentioned purpose.
- In collaboration with St. Paul’s Foundation, CPFF is funding Dr. Tiffany Winstone’s Master’s program and IFP research. The CPFF is committed for a total of \$35,000 each for 2016 and 2017. The funds provided can only be used for the above mentioned purpose. Subsequent to the year end, the CPFF was informed that Dr Tiffany Winstone retracted from her position in the Master’s Program, hence the grant will not be paid for 2017.

Total amounts disbursed of \$135,000 in the current year have been included in grants to other charities.

Future expenditure commitments are as follows:

2017	\$ 100,000
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3. 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, 2016 which did not change significantly from the previous period unless otherwise noted.

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. The Organization is exposed to interest rate risk on its floating interest rate financial instruments. The Organization's short-term investment is a floating-rate instrument, which subjects the Organization to a cash flow risk. The Organization believes that the exposure is not significant.

Liquidity Risk

Liquidity risk is the risk that the Organization will not be able to meet its financial obligations as they become due. CPFF is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. The Organization expects to meet these obligations as they come due by generating sufficient cash flow from contribution and grant revenues. The Organization is not exposed to this risk due to its positive cash flows.

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CANADIAN PULMONARY FIBROSIS FOUNDATION

Notes to Financial statements

July 31, 2016

4. RELATED PARTY TRANSACTIONS

The following related party transactions arose in the normal course of business and are reimbursed at cost.

- a) The Organization paid its treasurer an amount of \$1,209 for reimbursement of expenses.
- b) The Organization paid its directors a total amount of \$4,645 which represents reimbursements for meeting costs.

5. TRANSITION TO PART III OF THE CPA HANDBOOK – ACCOUNTING

On August 1, 2015, CPFF adopted Canadian accounting standards for not-for-profit organizations in the preparation of its financial statements in accordance with Section 1501, First-time adoption by not-for-profit organizations, included in the CPA Canada Handbook, Part III – Accounting: Accounting standards for not-for-profit organizations. These accounting standards have been applied retrospectively in the preparation of the comparative information included in these financial statements for the year ended July 31, 2015 and the opening statement of financial position at August 1, 2014.

Section 1501 provides a number of elective exemptions from the retrospective adoption of ASNPO. The Organization did not elect to use any of the traditional exemptions.

The adoption of ASNPO had no impact on the net assets at August 1, 2014 and excess of revenue over expenses for the year ended July 31, 2015, and accordingly, no adjustments have been recorded in the opening financial information including the statements of financial position at July 31, 2015 and August 1, 2014, the statements of operations and cash flows for the year ended July 31, 2015.