

CANADIAN PULMONARY FIBROSIS FOUNDATION

FINANCIAL STATEMENTS

JULY 31, 2019

CANADIAN PULMONARY FIBROSIS FOUNDATION

FINANCIAL STATEMENTS

JULY 31, 2019

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, 2019, 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 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, 2019, 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, 2019 and 2018, current assets and liabilities as at July 31, 2019 and 2018, and net assets as at August 1 and July 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended July 31, 2018 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.

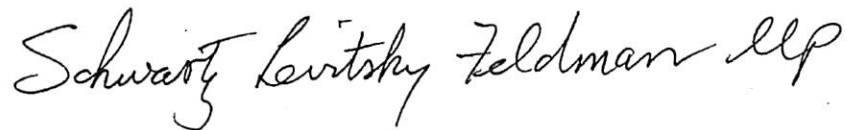
INDEPENDENT AUDITOR'S REPORT (cont'd)

- ♦ 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
December 6, 2019

Chartered Accountants
Licensed Public Accountants

CANADIAN PULMONARY FIBROSIS FOUNDATION

Statement of Financial Position

As at July 31, 2019



	2019	2018
ASSETS		
CURRENT		
Cash		
Unrestricted	\$ 608,713	\$ 594,346
Internally restricted (note 4)	86,027	-
Externally restricted (note 5)	254,900	-
Short-term investments (note 3)	377,034	365,118
Government remittances recoverable	5,427	12,193
Inventory	1,750	1,750
Prepaid expenses	1,621	1,621
	\$ 1,335,472	\$ 975,028
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 20,467	\$ 13,146
Deferred revenue (note 5)	254,900	-
	275,367	13,146
NET ASSETS		
Unrestricted	974,078	961,882
Internally restricted (note 4)	86,027	-
	1,060,105	961,882
	\$ 1,335,472	\$ 975,028

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, 2019



	2019	2018
REVENUE		
Foundation grants (note 5)	\$ 136,000	\$ 297,500
Donations and fundraising	278,184	207,768
Interest income	6,801	3,172
	<u>420,985</u>	<u>508,440</u>
CHARITABLE EXPENSES		
Grants to charities	132,206	305,387
Salaries & benefits (note 7)	92,744	34,894
Patient support	24,791	16,947
Support website costs	10,230	9,613
Awareness and advocacy	4,858	4,903
Fundraising event costs	2,672	1,170
Program education and consulting	940	61,370
	<u>268,441</u>	<u>434,284</u>
EXCESS OF REVENUE OVER CHARITABLE EXPENSES	<u>152,544</u>	<u>74,156</u>
ADMINISTRATIVE EXPENSES		
Professional fees	21,040	15,254
Office and general	11,995	14,382
Travel and meeting costs (note 7)	9,396	19,924
Telephone	4,295	7,469
Insurance	4,120	540
Interest and bank charges	3,475	2,878
	<u>54,321</u>	<u>60,447</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 98,223</u>	<u>\$ 13,709</u>

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, 2019

	Unrestricted	Internally Restricted (note 4)	Total 2019	Total 2018
BALANCE, BEGINNING OF YEAR	\$ 961,882	\$ -	\$ 961,882	\$ 948,173
Excess of revenue over charitable expenses	98,223	-	98,223	13,709
Transfer to internally restricted fund (note 4)	(86,027)	86,027	-	-
BALANCE, END OF YEAR	\$ 974,078	\$ 86,027	\$ 1,060,105	\$ 961,882

SLF

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, 2019

The logo for the Canadian Pulmonary Fibrosis Foundation (SLF) is located in the top right corner. It consists of the letters 'SLF' in a white, bold, sans-serif font, set against a dark blue rectangular background.

	2019	2018
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 98,223	\$ 13,709
Change in non-cash working capital items:		
Decrease in accounts receivable	-	2,450
Decrease in government remittances recoverable	6,766	3,754
Decrease in inventory	-	92
Increase in prepaid expenses	-	(1,621)
Increase (decrease) in accounts payable and accrued liabilities	7,321	(9,121)
Increase in deferred revenue	254,900	-
	367,210	9,263
INVESTING ACTIVITY		
Increase in short-term investments	(11,916)	(12,747)
NET INCREASE (DECREASE) IN CASH, DURING THE YEAR	355,294	(3,484)
CASH, BEGINNING OF YEAR	594,346	597,830
CASH, END OF YEAR	\$ 949,640	\$ 594,346
CASH CONSISTS OF:		
Unrestricted cash	\$ 608,713	\$ 594,346
Internally restricted cash	86,027	-
Externally restricted cash	254,900	-
	\$ 949,640	\$ 594,346

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

CANADIAN PULMONARY FIBROSIS FOUNDATION

Notes to Financial Statements

July 31, 2019

SLF

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, 2019 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, 2019



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 represented a one-year guaranteed investment certificate which matured on June 4, 2019 and earned interest at 1.75%. On maturity date, the remaining funds were reinvested in an interest savings account.

CANADIAN PULMONARY FIBROSIS FOUNDATION

Notes to Financial Statements

July 31, 2019

SLF

4. INTERNALLY RESTRICTED FUND

During the year, the Board of Directors approved a transfer of \$86,027 from unrestricted funds to an internally restricted fund to be used for the payment of research grants to qualified candidates. 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) \$180,000 from two pharmaceutical companies to fund two fellowship awards. One award of \$90,000 was paid out in the current year which was recognized as grant revenue. The balance of \$90,000 was recorded as deferred revenue.
- ii) \$164,900 from two pharmaceutical companies to host patient education days, update the Organization's Patient Guide, advocate the Organization's Patient Charter of Rights and host a reception. As the activities have not yet been completed and the grant funds not utilized at the year-end, the amounts were recorded as deferred revenue.
- iii) \$46,000 which was utilized to educate elected and non-elected officials about the importance of equitable and early access to drugs for idiopathic pulmonary fibrosis. Accordingly, the entire grant has been recognized as revenue.

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, 2019 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. 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.

CANADIAN PULMONARY FIBROSIS FOUNDATION

Notes to Financial Statements

July 31, 2019



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. The Organization is exposed to interest rate risk on its floating interest rate investments which subjects the Organization to a cash flow risk. The Organization believes that the exposure is not significant at the year-end.

7. RELATED PARTY TRANSACTIONS

The following related party transactions occurred during the year:

- a) The Organization paid its Executive Director salaries and benefits of \$92,744 (\$34,767 in 2018) based on approved compensation arrangements. In 2018, the Organization terminated an agreement with a health advocacy consultant and hired an Executive Director.
- b) The Organization paid its directors a total amount of \$9,396 (\$19,924 in 2018) which represents reimbursement for meeting costs relating to Organization's annual general meeting and Board of Directors meetings.