

**CANADIAN PULMONARY FIBROSIS FOUNDATION**

**FINANCIAL STATEMENTS**

**JULY 31, 2022**

# **CANADIAN PULMONARY FIBROSIS FOUNDATION**

## **FINANCIAL STATEMENTS**

**JULY 31, 2022**

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## 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, 2022, 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, 2022, 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, 2022 and 2021, current assets and liabilities as at July 31, 2022 and 2021, and net assets as at August 1 and July 31 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended July 31, 2021 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 13, 2023

Chartered Professional Accountants  
Licensed Public Accountants

# CANADIAN PULMONARY FIBROSIS FOUNDATION

## Statement of Financial Position

As at July 31, 2022

	2022	2021
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 1,196,659	\$ 1,164,015
Internally restricted cash (note 4)	-	6,027
Externally restricted cash (note 5)	270,000	130,000
Short-term investments (note 3)	509,450	452,018
Government remittances recoverable	14,034	12,834
Inventory	-	1,750
Prepaid expenses	1,621	1,621
	<b>\$ 1,991,764</b>	<b>\$ 1,768,265</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 106,144	\$ 97,128
Deferred revenue (note 5)	270,000	130,000
	<b>376,144</b>	<b>227,128</b>
<b>NET ASSETS</b>		
Unrestricted	1,615,620	1,535,110
Internally restricted (note 4)	-	6,027
	<b>1,615,620</b>	<b>1,541,137</b>
	<b>\$ 1,991,764</b>	<b>\$ 1,768,265</b>

On behalf of the Organization

*Sharon Lee*

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Director

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Director

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

Signed via Verifyle: 63cf0f90e9a179f9

# CANADIAN PULMONARY FIBROSIS FOUNDATION

## Statement of Operations

For the year ended July 31, 2022

	2022	2021
<b>REVENUE</b>		
Foundation grants	\$ 612,667	\$ 405,501
Donations and fundraising	333,107	404,409
Interest income	1,083	5,787
	<u>946,857</u>	<u>815,697</u>
<b>CHARITABLE EXPENSES</b>		
Fellowship and research grants to institutions	270,000	220,000
Patient support	195,779	80,113
Awareness and advocacy	180,887	126,899
Program education and consulting	101,299	26,510
Support website costs	39,403	27,325
Fundraising event costs	-	5,033
	<u>787,368</u>	<u>485,880</u>
<b>EXCESS OF REVENUE OVER CHARITABLE EXPENSES</b>	<u>159,489</u>	<u>329,817</u>
<b>ADMINISTRATIVE EXPENSES</b>		
Office and general	24,010	14,728
Salaries and benefits	22,669	14,374
Professional fees	18,004	29,566
Interest and bank charges	9,249	5,993
Telephone	7,225	7,412
Insurance	3,813	3,631
Travel and meeting costs	36	5,047
	<u>85,006</u>	<u>80,751</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>\$ 74,483</u>	<u>\$ 249,066</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, 2022

	Unrestricted	Internally Restricted	Total 2022	Total 2021
<b>BALANCE, BEGINNING OF YEAR</b>	\$ 1,535,110	\$ 6,027	\$ 1,541,137	\$ 1,292,071
Excess of revenue over expenses	74,483	-	74,483	249,066
Transfer from internally restricted net assets (note 4)	6,027	(6,027)	-	-
<b>BALANCE, END OF YEAR</b>	\$ 1,615,620	\$ -	\$ 1,615,620	\$ 1,541,137

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, 2022

	2022	2021
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 74,483	\$ 249,066
Change in non-cash working capital items:		
Decrease (increase) in government remittances recoverable	(1,200)	1,344
Decrease in inventory	1,750	-
Increase in accounts payable and accrued liabilities	9,016	63,963
Increase (decrease) in deferred revenue	140,000	(19,500)
	224,049	294,873
<b>INVESTING ACTIVITIES</b>		
Decrease in internally restricted cash	6,027	40,000
Decrease (increase) in externally restricted cash	(140,000)	19,500
Increase in short-term investments	(57,432)	(40,247)
	(191,405)	19,253
<b>NET INCREASE IN CASH, DURING THE YEAR</b>	32,644	314,126
<b>CASH, BEGINNING OF YEAR</b>	1,164,015	849,889
<b>CASH, END OF YEAR</b>	\$ 1,196,659	\$ 1,164,015

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

# CANADIAN PULMONARY FIBROSIS FOUNDATION

## Notes to Financial Statements

July 31, 2022

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### 1. PURPOSE OF THE ORGANIZATION

The Canadian Pulmonary Fibrosis Foundation (“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

### 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, 2022 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 events are completed and revenue is received or receivable.

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.

Stock donations 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, 2022

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### 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) Measurement of Financial Instruments

The Organization initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value.

Subsequently, the Organization measures all its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value of equity instruments are recognized in income in the period the change occurred.

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

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 stock donations and recording of accrued liabilities. These estimates are reviewed periodically and adjustments made to income in the period such adjustments occur.

#### (g) Allocated Expenses

The Organization allocates certain expenses to various pillars as identified in the Organization's mission statement. The percentage allocation is in the same proportion as the allocation of grants revenue set by the Board of Directors.

# CANADIAN PULMONARY FIBROSIS FOUNDATION

## Notes to Financial Statements

July 31, 2022

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### 3. SHORT-TERM INVESTMENTS

Short-term investments comprise high interest money market funds in the amount of \$509,450 (\$452,018 in 2021).

### 4. INTERNALLY RESTRICTED CASH AND NET ASSETS

The balance of internally restricted net assets restricted for the purpose of research grants to qualified candidates was spent during the year. The Organization did not allocate any additional internally restricted assets at the year-end.

### 5. EXTERNALLY RESTRICTED CASH AND DEFERRED REVENUE

Externally restricted cash represents unutilized foundation grants. During the year, the Organization received a total of \$270,000 grants from two pharmaceutical companies which was deferred.

An amount of \$90,000 will be used to fund fellowship and research grants, \$150,000 to support 10 researchers to write a research paper and \$30,000 for honorariums to healthcare professional participants.

As the grants have not yet been awarded, the amounts were recorded as deferred revenue at the year-end.

### 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, 2022 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 totaling \$270,000. The Organization believes the exposure was not significant at the year-end.

# CANADIAN PULMONARY FIBROSIS FOUNDATION

## Notes to Financial Statements

July 31, 2022

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

#### Market risk

Market risk is the risk that the fair value or future cash flows of the Organization's financial instruments will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Organization is mainly exposed to interest rate risk. The Organization does not use derivative financial instruments to reduce its exposure to this risk.

#### 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 high interest money market funds (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

The Organization allocates salaries and consulting expenses to various pillars as identified in the Organization's mission statement.

The percentage allocation is in the same proportion as the allocation of grants revenue set by the Board of Directors.

	2022 (%)	2021 (%)
In Percentages:		
Awareness and advocacy	40	40
Patient support	23	23
Program education and consulting	23	23
General and administrative	14	14

  

	2022	2021
Awareness and advocacy	\$ 175,993	\$ 41,069
Patient support	101,196	23,614
Program education and consulting	101,196	23,614
General and administrative	61,598	14,374
	\$ 439,983	\$ 102,671