

Crohn's and Colitis Canada

Financial Statements

For the year ended June 30, 2019

Crohn's and Colitis Canada

Financial Statements

For the year ended June 30, 2019

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Independent Auditor's Report

To the Members of Crohn's and Colitis Canada

Opinion

We have audited the financial statements of Crohn's and Colitis Canada (the Organization), which comprise the statement of financial position as at June 30, 2019, and the statements of revenue and expenses, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements presents fairly, in all material respects, the financial position of the Organization as at June 30, 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 Opinion

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 opinion.

Responsibilities of Management and Those Charged with Governance 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.

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.
- 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 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.

BDO Canada LLP


Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
September 27, 2019

Crohn's and Colitis Canada Statement of Financial Position

June 30	2019	2018
Assets		
Current		
Cash (Note 3)	\$ 4,993,470	\$ 5,513,655
Externally restricted cash (Note 4)	145,587	201,088
Investments (Note 5)	8,811,849	8,255,229
Accounts receivable	614,209	832,466
Prepaid expenses	83,861	63,706
	14,648,976	14,866,144
Investments (Note 5)	386,406	357,647
Property and equipment (Note 6)	104,981	140,006
	\$ 15,140,363	\$ 15,363,797
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 1,166,445	\$ 806,975
Deferred revenue (Note 7)	3,650,932	3,922,298
	4,817,377	4,729,273
Long term deferred revenue (Note 7)	505,990	478,857
	5,323,367	5,208,130
Fund Balances (Note 9)		
Endowment	586,912	565,528
Internally restricted research reserve	3,842,055	4,256,202
Internally restricted property and equipment	104,981	140,006
Internally restricted operating	1,500,000	1,500,000
Unrestricted	3,783,048	3,693,931
	9,816,996	10,155,667
	\$ 15,140,363	\$ 15,363,797

On behalf of the Board of Directors:



Mark Whitmore, Chair



Lawrence Davis, Treasurer

Crohn's and Colitis Canada Statement of Revenue and Expenses

For the year ended June 30	2019	2018
Revenue		
Gifts	\$ 8,390,551	\$ 8,168,985
Fundraising event proceeds	5,803,396	6,239,693
Investment income (Note 5)	416,325	466,442
	14,610,272	14,875,120
Expenses (Note 11)		
Program costs		
Research	6,630,982	6,711,423
Education/awareness/advocacy	2,119,648	1,700,325
Volunteer/chapter services	627,799	637,377
	9,378,429	9,049,125
Support costs		
Fundraising expenses	4,193,367	4,011,521
General and administrative	1,373,219	1,291,127
	5,566,586	5,302,648
Total expenses	14,945,015	14,351,773
Excess (deficiency) of revenue over expenses before undernoted	(334,743)	523,347
Foreign exchange loss	(25,312)	(8,050)
Excess (deficiency) of revenue over expenses for the year	\$ (360,055)	\$ 515,297

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

Crohn's and Colitis Canada Statement of Changes in Fund Balances

For the year ended June 30

	Endowment fund	Internally restricted research reserve fund	Internally restricted property and equipment	Internally restricted operating fund	Unrestricted	2019 Total	2018 Total
	(Note 9)	(Note 9)	(Note 9)	(Note 9)	(Note 9)		
Fund balances, beginning of year	\$ 565,528	\$ 4,256,202	\$ 140,006	\$ 1,500,000	\$ 3,693,931	\$ 10,155,667	\$ 9,596,485
Excess (deficiency) of revenue over expenses for the year	-	-	(45,358)	-	(314,697)	(360,055)	515,297
Contributions to externally restricted endowment fund	21,384	-	-	-	-	21,384	43,885
Internally restricted research reserve fund and unrestricted fund balances	-	(414,147)	-	-	414,147	-	-
Acquisition of property, plant and equipment	-	-	10,333	-	(10,333)	-	-
Fund balances, end of year	\$ 586,912	\$ 3,842,055	\$ 104,981	\$ 1,500,000	\$ 3,783,048	\$ 9,816,996	\$ 10,155,667

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

Crohn's and Colitis Canada Statement of Cash Flows

For the year ended June 30	2019	2018
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ (360,055)	\$ 515,297
Adjustments to reconcile excess of revenue (deficiency) over expenses for the year to cash provided by operating activities		
Amortization	45,358	46,600
Unrealized gain on investments (Note 5)	(107,889)	(190,261)
Changes in non-cash working capital balances		
Accounts receivables	218,257	(118,139)
Prepaid expenses	(20,155)	43,875
Accounts payables and accrued liabilities	359,470	88,053
Deferred revenue	(244,233)	1,299,867
	(109,247)	1,685,292
Investing activities		
Investment activity (net)	(451,105)	(330,893)
Acquisition of property and equipment	(10,333)	(1,144)
	(461,438)	(332,037)
Financing activity		
Contribution to endowment fund	(5,001)	17,500
	(575,686)	1,370,755
Increase (decrease) in cash during the year		
	(575,686)	1,370,755
Cash, beginning of year	5,714,743	4,343,988
Cash, end of year	\$ 5,139,057	\$ 5,714,743
Cash:		
Unrestricted	\$ 4,993,470	\$ 5,513,655
Externally restricted (Note 4)	145,587	201,088
	\$ 5,139,057	\$ 5,714,743
Net cash	\$ 5,139,057	\$ 5,714,743
Non-cash transaction:		
Life insurance policy (Note 5)	\$ 26,385	\$ 26,385

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

Crohn's and Colitis Canada Notes to Financial Statements

June 30, 2019

1. Purpose of the Organization

Crohn's and Colitis Canada (the "Organization") is a national not-for-profit organization. The Organization's promise is to cure Crohn's disease and ulcerative colitis and improve the lives of children and adults affected by these chronic diseases. The Organization was established under the Canada Corporations Act as a not-for-profit organization without share capital and continued under the Canada Not-for-profit Corporations Act in October 2014.

Crohn's and Colitis Canada is a registered charity within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) and include the following significant accounting policies:

National and Regional Operations Including Chapters

The financial statements include all of the national and regional operations of Crohn's and Colitis Canada and its 45 chapters, and the Calgary and Edmonton Societies.

Revenue Recognition

The Organization follows the deferral method of accounting for contributions.

Unrestricted contributions are recorded as revenue when the amount is measurable and ultimate collection is reasonably assured.

Restricted contributions, other than endowment contributions, are deferred until the period in which the related expenses are incurred. Endowment contributions are recognized as direct increases in fund balances.

Amounts received related to a future period are deferred until the period in which the event occurs.

Crohn's and Colitis Canada

Notes to Financial Statements

June 30, 2019

2. Summary of Significant Accounting Policies - (Continued)

Financial Instruments

The Organization considers any contract creating a financial asset for one entity and a financial liability or equity instrument of another entity as a financial instrument, except in certain limited circumstances.

Initial Measurement

The Organization's financial instruments are measured at fair value when issued or acquired.

Subsequent Measurement

Investments are recorded at fair value based on the closing bid price at year end. Realized and unrealized gains and losses on investments are recognized as investment income in the statement of revenue and expenses.

Foreign currency forward contracts are recorded at fair value at year end with any changes in fair value recorded in the statement of revenue and expenses as part of the foreign exchange gain (loss).

All other financial assets and liabilities are recorded at amortized cost, less any impairment allowance in the case of financial assets. Any impairment loss is recognized in the statement of revenue and expenses.

Property and Equipment

Purchased property and equipment over \$1,000 is recorded at cost and is amortized over its estimated useful life on a straight-line basis. The annual amortization rates are as follows:

Computers and software	3 - 5 years
Furniture and fixtures	5 - 10 years

Leasehold improvements are amortized straight-line over the period of the lease.

Crohn's and Colitis Canada

Notes to Financial Statements

June 30, 2019

2. Summary of Significant Accounting Policies - (Continued)

Research Grants and Awards

Research grants and awards are recorded in the financial statements at the earlier of when a legal obligation exists and when the grants and awards are paid.

Donated Goods and Services

A number of individuals and business organizations have volunteered their time to the Organization's fundraising efforts. Due to the difficulty in determining their fair value, these are not recognized or disclosed in the financial statements.

Expense Allocation

Expenses are allocated (Note 11) using the following allocation method:

Salaries and benefits

Allocated based on staff estimates of time spent on each functional area.

General office

Includes board of director expenses, staff travel, general and administrative costs, publications, amortization and professional services and are allocated based on their applicability to the relevant programs.

Rent

Allocated based on square footage and related departmental salary allocations.

Insurance

Allocated based on an even split between fundraising and administration as the Organization's coverage is based partially on the type and number of fundraising events held and partially on general factors of an administrative nature.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The estimates are reviewed periodically and as adjustments become necessary they are reported in the year in which they become known. Actual results could differ from those estimates.

Crohn's and Colitis Canada Notes to Financial Statements

June 30, 2019

3. Cash

Included in cash are funds of \$2,870,879 (2018 - \$4,617,293) held in premium interest accounts with an effective interest rate of 1.65% (2018 - 1.06%).

4. Externally Restricted Cash

Externally restricted cash comprises gaming revenues earned by the Organization. Use of gaming revenues is restricted for use in the region where the gaming revenues were earned.

5. Investments

Investments are stated at fair value and include the investments of the Ross McMaster memorial donation in the amount of \$505,990 (2018 - \$478,857).

	2019	2018
Cash included in investments accounts	\$ 64,052	\$ 80,728
Guaranteed investment certificates	2,755,692	2,581,412
Corporate bond funds	968,373	1,132,075
Listed Equities		
Canadian	1,142,519	946,350
United States	2,280,594	1,792,726
International	1,600,619	1,721,938
Current investments	8,811,849	8,255,229
Fixed income (federal and provincial bonds)	107,597	105,223
Life insurance policy	278,809	252,424
Long term investments	386,406	357,647
	\$ 9,198,255	\$ 8,612,876

The Guaranteed investment certificates bear interest between 1.65% and 2.05% (2018 - 0.50% and 1.88%) and mature between July 2019 and June 2020 (2018 - March 2019 and June 2019). Bonds have interest rates ranging from 1.55% to 3.7% (2018 - 1.25% to 3.7%) and mature between December 2020 and December 2028 (2018 - December 2020 and June 2027).

The Organization has assigned a \$1,000,000 guaranteed investment certificate, bearing interest at 1.65% (2018 - 0.90%) and maturing March 2020 (2018 - March 2019), as security for a \$1,000,000 line of credit with the Bank. This is a revolving line of credit which bears interest at the bank's prime rate plus 0.90% (2018 - 0.90%) per annum. As at June 30, 2019, the bank's prime rate was 3.95% (2018 - 3.45%).

As at June 30, 2019, the Organization has utilized \$Nil (2018 - \$Nil) of the available line of credit.

Crohn's and Colitis Canada Notes to Financial Statements

June 30, 2019

5. Investments - (Continued)

Investment income consists of the following:

	2019	2018
Dividend income	\$ 41,503	\$ 27,521
Interest income (including interest on cash balances)	243,215	155,728
Realized gain on sale of investments	23,718	92,932
Unrealized gain on investments	107,889	190,261
	\$ 416,325	\$ 466,442

6. Property and Equipment

	2019		2018	
	Cost	Accumulated Amortization	Carrying Amount	Carrying Amount
Computers and software	\$ 715,089	\$ 647,646	\$ 67,443	\$ 80,112
Furniture and fixtures	130,931	118,604	12,327	23,477
Leasehold improvements	125,310	100,099	25,211	36,417
	\$ 971,330	\$ 866,349	\$ 104,981	\$ 140,006

Crohn's and Colitis Canada Notes to Financial Statements

June 30, 2019

7. Deferred Revenue

	Research Consortium	Impact of IBD	Ross McMaster Memorial Donation	Scholarship Program	Mentoring and Camp	IBD - Sponsorships	GEM Project (Note 8b)	PACE Project	Advocacy & GoHere	Other	2019 Total	2018 Total
Balance, beginning of year	\$ 380,180	\$ 165,000	\$ 478,857	\$ 200,000	\$ 100,000	\$ 239,806	\$ 1,755,119	\$ 598,594	\$ 377,600	\$ 105,999	\$ 4,401,155	\$ 3,101,288
Add: Received	185,000	40,000	27,133	200,000	182,983	572,600	1,245,657	440,000	338,500	376,098	3,607,971	4,803,474
Less: Recognized	(276,057)	(205,000)	-	(200,000)	(150,000)	(622,809)	(1,767,120)	(194,005)	(266,561)	(170,652)	(3,852,204)	(3,503,607)
Balance, end of year	\$ 289,123	\$ -	\$ 505,990	\$ 200,000	\$ 132,983	\$ 189,597	\$ 1,233,656	\$ 844,589	\$ 449,539	\$ 311,445	\$ 4,156,922	\$ 4,401,155
Current	\$ 289,123	\$ -	\$ -	\$ 200,000	\$ 132,983	\$ 189,597	\$ 1,233,656	\$ 844,589	\$ 449,539	\$ 311,445	\$ 3,650,932	\$ 3,922,298
Long term	-	-	505,990	-	-	-	-	-	-	-	505,990	478,857
	\$ 289,123	\$ -	\$ 505,990	\$ 200,000	\$ 132,983	\$ 189,597	\$ 1,233,656	\$ 844,589	\$ 449,539	\$ 311,445	\$ 4,156,922	\$ 4,401,155

Crohn's and Colitis Canada Notes to Financial Statements

June 30, 2019

8. Commitments and Guarantees

a) Premises and Office Equipment

The Organization has entered into agreements to lease premises and office equipment for various periods until September 2021 for the National and Regional Offices. The Organization is committed to the following rental payments for premises and office equipment:

2020	\$ 150,000
2021	139,000
2022	<u>34,000</u>
	<u>\$ 323,000</u>

b) Helmsley Charitable Trust

In 2014, the Organization announced a \$9,826,350 five year funding commitment to Crohn's disease research in Canada, of which \$5,895,810 is a lead gift from Helmsley Charitable Trust. The remaining balance has been committed by the Organization. This funding will support the Genetics, Environmental, Microbial (GEM) Project at Mount Sinai Hospital.

As of June 30, 2019, the Organization has received \$9,646,462 (2018 - \$8,654,367) from the Helmsley Charitable Trust and has expended \$8,545,833 (2018 - \$6,899,280) with the remaining balance recognized as deferred revenue. The Organization itself is committed to \$1,875,199 (2018 - \$2,515,199) towards the GEM Project of which \$835,199 (2018 - \$1,140,000) represents its commitment for the next 12 months and is included in internally restricted research reserve fund (Note 9b).

9. Fund Balances

a) Endowment Fund

Endowment fund is The Jaclyn Fisher Endowment Fund which was established to carry out designated activities to support the Organization's Montreal education symposia, youth activities of the Organization and any program used to sensitize teachers and students to the disease and its effect. The capital is to be held in perpetuity. During the year \$21,384 (2018 - \$43,885) was contributed to the fund.

b) Internally Restricted Research Reserve Fund

Internally restricted research reserve fund is an internally restricted fund representing the amount estimated for the Organization to honour future research grant commitments within twelve months.

Crohn's and Colitis Canada Notes to Financial Statements

June 30, 2019

9. Fund Balances - (Continued)

b) Internally Restricted Research Reserve Fund - (Continued)

The Organization expenses research grants when paid. Approved research grant commitments are not accrued in the financial statements as these grants are subject to continuous review and can be withdrawn if stipulated conditions are not met. A continuity of future research grant commitments is as follows:

	2019	2018
Research grant commitments, beginning of year	\$ 11,581,663	\$ 8,268,018
Research grants approved during the year	3,757,486	9,591,603
Research grants withdrawn/reduced during the year	(173,413)	(53,048)
	15,165,736	17,806,573
Research grants paid during the year	(6,499,924)	(6,224,910)
Research grant commitments, end of year	8,665,812	11,581,663
Less: Research grant commitments beyond 12 months	(4,823,757)	(7,325,461)
Research grant commitments within 12 months	\$ 3,842,055	\$ 4,256,202

During the year, the board of directors approved the transfer of \$414,147 from the internally restricted to the unrestricted fund (2018 - \$964,217 from unrestricted to restricted fund) to match commitments within the next 12 months as at year end.

c) Internally Restricted Property and Equipment

Internally restricted property and equipment is an internally restricted fund representing the carrying amount of property and equipment, less any indebtedness thereon.

d) Internally Restricted Operating Fund

Internally restricted operating fund is an internally restricted fund representing three months of operating expenses excluding mission spending.

e) Unrestricted Fund

Unrestricted fund balance represents the excess of revenue over expenses accumulated by the Organization that is not internally restricted.

Crohn's and Colitis Canada

Notes to Financial Statements

June 30, 2019

10. Financial Instruments

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposures at June 30, 2019:

Credit Risk

Credit risk arises as a result of the potential non-performance by counterparties of contract obligations which could lead to a financial loss to the Organization. The Organization's credit risk relates to its cash, investments and accounts receivable.

Liquidity Risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting its obligations. The Organization meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

Interest Rate Risk

Interest rate risk is the risk that the fair value of or future cash flows from a financial instrument will fluctuate because of market changes in interest rates. The Organization is subject to interest rate risk on its fixed income investments, as disclosed in Note 5.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Organization is subject to currency risk to the extent that cash is held and investments are made in foreign currencies. The Organization is also subject to currency risk as a result of the Helmsley Charitable Trust Agreement (Note 8b). The Canadian dollar equivalent of balances denominated in United States dollars are as follows:

	<u>2019</u>	<u>2018</u>
Cash	\$ 1,236,340	\$ 48,774
Investments	2,280,594	1,792,726

**Crohn's and Colitis Canada
Notes to Financial Statements**

June 30, 2019

11. Expense Allocation

	Research	Education/ Awareness/ Advocacy	Volunteer/ Chapter Services	Fundraising Expenses	General and Administrative	2019	2018
Direct costs	\$ 6,205,048	\$ 1,237,384	\$ 98,322	\$ 2,138,938	\$ 129,130	\$ 9,808,822	\$ 9,361,124
Allocated costs							
Salaries and benefits	350,004	703,260	442,688	1,625,220	943,912	4,065,084	4,156,691
General office	45,352	138,201	54,763	316,507	214,059	768,882	564,182
Rent	30,578	40,803	32,026	88,898	62,314	254,619	247,761
Insurance	-	-	-	23,804	23,804	47,608	22,015
Total expenses	\$ 6,630,982	\$ 2,119,648	\$ 627,799	\$ 4,193,367	\$ 1,373,219	\$ 14,945,015	\$ 14,351,773