

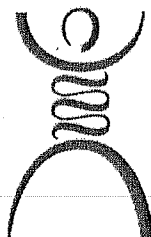


TO BE SIGNED AND  
RETURNED TO  
GRANT THORNTON

Financial Statements

Crohn's and Colitis Foundation of Canada

June 30, 2011



Crohn's and Colitis  
Foundation of Canada

Fondation canadienne des  
maladies inflammatoires  
de l'intestin

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## Independent Auditors' Report

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To the Members of the  
Crohn's and Colitis Foundation of Canada

We have audited the accompanying financial statements of the Crohn's and Colitis Foundation of Canada, which comprise the balance sheet as at June 30, 2011, and the statement of revenue and expenses, changes in fund balances 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 generally accepted accounting principles, 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.

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 charitable organizations, the Foundation derives revenue from donations, memberships and promotional events which are included in fundraising event proceeds, gifts and other, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenses, assets and fund balances.

**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 the Crohn's and Colitis Foundation of Canada as at June 30, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Toronto, Ontario  
September 17, 2011

Chartered Accountants  
Licensed Public Accountants

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**Crohn's and Colitis Foundation of Canada**  
**Statement of Revenue and Expenses**

Year Ended June 30

2011

2010

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**Revenue**

Fundraising event proceeds	\$ 6,681,611	\$ 7,381,010
Gifts	5,241,349	3,298,099
Investment income (Note 5)	681,283	379,650
Other	59,327	68,642
	<u>12,663,570</u>	<u>11,127,401</u>

**Expenses (Note 3)**

Program costs		
Research	5,571,423	5,507,404
Education/awareness	1,048,328	983,523
Volunteer/chapter services	<u>1,102,200</u>	<u>912,626</u>
	<u>7,721,951</u>	<u>7,403,553</u>
Support costs		
Fundraising expenses	3,971,199	2,617,806
General and administrative	<u>1,471,536</u>	<u>1,296,879</u>
	<u>5,442,735</u>	<u>3,914,685</u>
	<u>13,164,686</u>	<u>11,318,238</u>

Deficiency of revenue over expenses	\$ <u>(501,116)</u>	\$ <u>(190,837)</u>
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See accompanying notes to the financial statements.

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

Year Ended June 30

	2011		2010		
	Endowment Funds	Internally Restricted Research Reserve Fund	Endowment Funds	Internally Restricted Research Reserve Fund	Total
Fund balances, beginning of year	\$ 385,483	\$ 7,568,054	\$ 378,672	\$ 8,041,613	\$ 11,069,208
Deficiency of revenue over expenses	-	-	-	-	(190,837)
Investment income on endowment (Note 5)	26,699	-	12,915	-	12,915
Investment expenses	(2,019)	2,019	(1,483)	-	-
Endowment contributions	-	-	15,379	-	15,379
Transfer between Unrestricted Fund and Endowment Funds	(20,000)	-	(20,000)	-	-
Internally Restricted Research Reserve Fund and Unrestricted Fund (Note 8)	-	1,054,682	-	(473,559)	473,559
Fund balances, end of year	\$ 390,163	\$ 8,622,736	\$ 385,483	\$ 7,568,054	\$ 10,906,665

See accompanying notes to the financial statements.

# Crohn's and Colitis Foundation of Canada

## Balance Sheet

June 30 2011 2010

**Assets**

Current

Cash and cash equivalent	\$ 1,421,051	\$ 796,350
Restricted cash (Note 4)	1,392,775	2,292,210
Receivables	812,327	704,029
Prepays	<u>94,951</u>	<u>99,003</u>
	<u>3,721,104</u>	<u>3,891,592</u>

Investments (Note 5)

Endowment	403,303	378,171
Other	<u>8,169,448</u>	<u>9,178,564</u>
	<u>8,572,751</u>	<u>9,556,735</u>

Property and equipment (Note 6)

	<u>416,911</u>	<u>231,085</u>
	<u>\$ 12,710,766</u>	<u>\$ 13,679,412</u>

**Liabilities**

Current

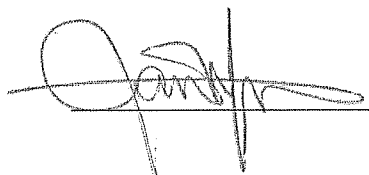
Payables and accruals	\$ 952,647	\$ 593,827
Deferred revenue (Note 7)	<u>1,325,871</u>	<u>2,178,920</u>
	<u>2,278,518</u>	<u>2,772,747</u>

**Funds**

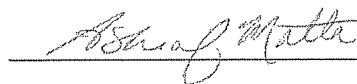
Endowment funds	390,163	385,483
Internally restricted research reserve fund (Note 8)	8,622,736	7,568,054
Unrestricted	<u>1,419,349</u>	<u>2,953,128</u>
	<u>10,432,248</u>	<u>10,906,665</u>
	<u>\$ 12,710,766</u>	<u>\$ 13,679,412</u>

Commitments and contingency (Note 8)

On behalf of the National Board of Directors



Director



Director

See accompanying notes to the financial statements.

# Crohn's and Colitis Foundation of Canada

## Statement of Cash Flows

Year Ended June 30

2011

2010

(Decrease) increase in cash and cash equivalents

<b>Operating activities</b>		
Deficiency of revenue over expenses	\$ (501,116)	\$ (190,837)
Depreciation	73,538	36,090
Unrealized gain on investments	(329,714)	(67,351)
Changes in non-cash working capital		
Receivables	(108,298)	(140,021)
Prepays	4,052	(1,471)
Payables and accruals	358,820	(110,095)
Deferred revenue	(853,049)	2,007,926
	<u>(1,355,767)</u>	<u>1,534,241</u>
<b>Financing activities</b>		
Endowment contributions	-	15,379
Endowment investment income	26,699	12,915
	<u>26,699</u>	<u>28,294</u>
<b>Investing activities</b>		
Acquisition of capital assets	(259,364)	(187,526)
Purchase of investments	(686,302)	(386,185)
Disposal of investments	2,000,000	1,020,000
	<u>1,054,334</u>	<u>446,289</u>
(Decrease) increase in cash and cash equivalents	(274,734)	2,008,824
Cash and cash equivalents, beginning of year	<u>3,088,560</u>	<u>1,079,736</u>
Cash and cash equivalents, end of year	\$ <u>2,813,826</u>	\$ <u>3,088,560</u>

Cash and cash equivalents comprise:

Cash	\$ 1,421,051	\$ 796,350
Restricted cash	<u>1,392,775</u>	<u>2,292,210</u>
	\$ <u>2,813,826</u>	\$ <u>3,088,560</u>

See accompanying notes to the financial statements.



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# **Crohn's and Colitis Foundation of Canada**

## **Notes to the Financial Statements**

June 30, 2011

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### **1. Purpose of the organization**

The Crohn's and Colitis Foundation of Canada (the "Foundation") is a national Not-for-Profit Organization dedicated to finding the cure for Inflammatory Bowel Disease by funding medical research and providing education programs. The organization was established under the Canada Corporations Act as a Not-for-Profit organization without share capital.

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

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### **2. Summary of significant accounting policies**

#### **Use of estimates**

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

#### **Basis of presentation**

The Foundation follows Canadian generally accepted accounting principles appropriate for a not-for-profit organization.

The financial statements include all of the national and regional operations and approximately 80 Chapters and Chapters in Development/Affiliates.

#### **Revenue recognition**

The Foundation 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.

Unrestricted funds raised by the Chapters are recognized as revenue on an accrual basis. Amounts received for a specific dated event are deferred and credited to revenue in the period that the event occurs.

Restricted contributions, other than endowment contributions, relating to chapter activity are recognized as revenue on an accrual basis.

Endowment contributions are recognized as direct increases in endowment net assets. Capital appreciation/depreciation for these funds are added to or deducted from the fund balance and recognized as direct increases/decreases in the year in which they occur.

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# Crohn's and Colitis Foundation of Canada

## Notes to the Financial Statements

June 30, 2011

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### 2. Summary of significant accounting policies (continued)

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of bank overdrafts, and highly liquid temporary market instruments with original maturities of three months or less. Any bank borrowings are considered to be financing activities.

#### Financial instruments

The Foundation has classified its cash and cash equivalents and investments as held for trading. The receivables are classified as loans and receivables. The payables and accruals are classified as other financial liabilities.

#### Investments

Investments are classified as held for trading and are recorded at fair value. Investment income (loss), which consists of dividends, interest, income distributions from pooled funds, realized gains and losses and unrealized gains and losses, is recorded as revenue in the Statement of Revenues and Expenses and Changes in Fund Balances.

#### Property and equipment

Purchased property and equipment over \$1,000 are recorded at acquisition cost. Donated property and equipment are recorded at fair market value at the date of contribution. Computer equipment is amortized on a straight-line basis over its estimated useful life of three to five years. Furniture and fixtures are amortized on a straight-line basis over its estimated useful life of five to ten years. Leasehold improvements are amortized over the period of the lease.

#### Research grants and awards

Research grants and awards are recorded in the financial statements when paid.

#### Donated goods and services

A number of individuals and business organizations have donated their time and services as well as goods in kind to the Foundation's fundraising activities. Donated materials and services are not recorded in the financial statements as their fair value cannot reasonably be estimated.

#### Fund balances

The financial statements have been prepared in a manner which segregates the Fund balances as follows:

**Endowment Funds** consists of amounts subject to donor and Board imposed restrictions, including that the fund be held in perpetuity so that its income is used for the purpose of funding research into inflammatory bowel disease.

# Crohn's and Colitis Foundation of Canada

## Notes to the Financial Statements

June 30, 2011

### 2. Summary of significant accounting policies (continued)

#### Fund balances (continued)

**Internally Restricted Research Reserve Fund** is an internally restricted fund to recognize the amount necessary for the Foundation to honour its commitments to future research grants, which are summarized in Note 8.

**Unrestricted funds** represent the excess of revenue over expenses accumulated by the Foundation that are not yet committed for specific research purposes.

#### Future accounting policies

In September 2010, the Accounting Standards Board (AcSB) decided that the final standards for CICA Handbook Part III – Accounting Standards for Not-for-Profit Organizations will be substantially the same as proposed in the exposure draft that was issued in March 2010.

Part III is proposed to include existing Not-for-Profit Organization (NFPO) standards 4400-4470 as well as the following standards from Part II, modified specifically to NFPOs.

- Section 1000 *Financial statement concepts*
- Section 1100 *Generally accepted accounting principles*
- Section 1400 *General standards of financial statement presentation*
- Section 1500 *First-time adoption*

The AcSB proposes that NFPOs should apply these standards for fiscal years beginning on or after January 1, 2012. The adoption of these standards is not expected to have a material impact on the Foundation's financial statements.

### 3. Expense Allocation

	Research	Education	Volunteer/ Chapter	Fundraising	General and administrative	2011	2010
Direct Costs	\$ 5,195,958	\$ 458,740	\$ 265,373	\$ 2,754,648	\$ 114,774	\$ 8,789,493	\$ 7,463,294
Allocated Costs							
Salaries and benefits	205,111	455,461	657,948	951,340	910,317	3,180,177	2,767,052
Staff development and conferences	8,486	18,844	27,221	39,360	37,663	131,574	89,782
Rent	27,111	25,137	44,679	59,894	56,329	213,150	233,290
Depreciation	4,742	10,532	15,215	21,999	21,050	73,538	36,090
Equipment and technology	5,250	11,657	16,839	24,348	23,298	81,392	73,662
Commodity taxes	-	-	-	-	-	-	87,655
Publications	18,196	30,862	15,269	31,525	7,788	103,640	84,940
General office	10,813	24,012	34,687	50,155	47,990	167,657	124,172
Insurance	-	-	-	10,470	10,470	20,940	22,009
Professional services	-	-	-	-	170,541	170,541	153,216
Board of Director expenses	-	-	-	-	45,980	45,980	37,871
Travel	4,760	13,083	24,969	27,460	25,336	95,608	84,502
IBD Research Institute	90,996	-	-	-	-	90,996	60,703
<b>Total</b>	<b>\$ 5,571,423</b>	<b>\$ 1,048,328</b>	<b>\$ 1,102,200</b>	<b>\$ 3,971,199</b>	<b>\$ 1,471,536</b>	<b>\$ 13,164,686</b>	<b>\$ 11,318,238</b>

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# Crohn's and Colitis Foundation of Canada

## Notes to the Financial Statements

June 30, 2011

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### 3. Expense Allocation (continued)

#### Allocation Method:

##### Salaries and benefits

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

##### Staff development and conferences, General office, Depreciation and Equipment and technology

Allocated based on the overall salary allocation for the Foundation's staff. All of these expenditures are incurred for carrying out job functions and furthering expertise in job performance which is related to the allocation of time and effort spent on different program and functional areas.

##### Rent

Square footage and related departmental salary allocations were used to allocate these costs.

##### Publications

Allocated based on the content and audience of the publications.

##### Insurance

Allocation of this expense is split evenly between fundraising and administration as the Foundation's coverage is based partially on the type and number of fundraising events held and partially on general factors of an administrative nature.

##### Professional services

These fees are allocated based on type of charges incurred.

##### Board of Director expenses

The costs related to Board function are due to meetings and travel, thus are allocated to administration.

##### Travel

The allocation for travel expenditures is based on salary allocation for the departments that incurred the travel costs as travel is related to job function.

##### IBD Research Institute

As the IBD Research Institute expenses are incurred to run the Foundation's research program, all costs were allocated to research.

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### 4. Restricted cash

Restricted cash represents \$370,308 in gaming revenues earned by the Foundation as well as \$1,022,467 in proceeds of a major gift being held for distribution during fiscal 2012 on a specific research program per donor restrictions. Use of gaming revenues by the Foundation are restricted by the local authorities for use in the area where the gaming revenues were earned.

# Crohn's and Colitis Foundation of Canada

## Notes to the Financial Statements

June 30, 2011

### 5. Investments

Investments are stated at fair value. These investments include investments that are segregated for the endowment funds of \$403,303 (2010: \$378,171).

		<u>2011</u>	<u>%</u>		<u>2010</u>	<u>%</u>
Cash and cash equivalents	\$	427,364	5	\$	335,116	4
Equities						
Canadian		1,041,134	12		968,262	10
U.S.		934,921	11		946,897	10
International		<u>790,677</u>	9		<u>966,960</u>	10
		<u>2,766,732</u>	<u>32</u>		<u>2,882,119</u>	<u>30</u>
Fixed Income (Bonds)		<u>5,378,655</u>	<u>63</u>		<u>6,339,500</u>	<u>66</u>
	\$	<u>8,572,751</u>	<u>100</u>	\$	<u>9,556,735</u>	<u>100</u>

Bonds have a weighted average term to maturity of 5 years and have a weighted interest rate of 2.4%. The investment income consists of the following:

		<u>2011</u>		<u>2010</u>
Dividend income	\$	61,487	\$	79,160
Interest income (including interest on cash balance)		328,556		277,287
Realized loss on sale of investments		(11,775)		(31,233)
Unrealized gain on investments		<u>329,714</u>		<u>67,351</u>
		<u>707,982</u>		<u>392,565</u>
Endowment income allocated to net asset		<u>26,699</u>		<u>12,915</u>
	\$	<u>681,283</u>	\$	<u>379,650</u>

### 6. Property and equipment

		<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>2011 Net Book Value</u>	<u>2010 Net Book Value</u>
Computers & software	\$	526,274	\$ 247,437	\$ 278,837	\$ 176,466
Furniture and fixtures		101,922	24,642	77,280	38,153
Leasehold improvements		<u>77,609</u>	<u>16,815</u>	<u>60,794</u>	<u>16,466</u>
	\$	<u>705,805</u>	\$ <u>288,894</u>	\$ <u>416,911</u>	\$ <u>231,085</u>

# Crohn's and Colitis Foundation of Canada

## Notes to the Financial Statements

June 30, 2011

### 7. Deferred revenue

Deferred revenue includes \$1,000,011 received for Major Gifts to fund a specific research program that has not been funded at June 30, 2011, \$260,000 for the IBD Conference and \$34,930 for Golf Tournaments to be held subsequent to June 30, 2011 and \$30,930 of government grants that have not been expended according to the requirement of the funding.

### 8. Commitments and contingency

#### Commitments

The Foundation expenses research grants when paid. Board approved commitments for research grants are not accrued in the financial statements. A continuity of such Board approved research grant commitments is as follows:

	<u>2011</u>	<u>2010</u>
Research grant commitment, beginning of year	\$ 7,568,054 ✓	\$ 8,041,613 ✓
Research grants awarded during the year	6,414,469 ✓	4,683,008 ✓
Research grants withdrawn during the year	<u>(163,829) ✓</u>	- ✓
	13,818,694 ✓	12,724,621 ✓
Research grants paid during the year	<u>(5,195,958) ✓</u>	<u>(5,156,567) ✓</u>
Research grant commitment, end of year	\$ <u>8,622,736</u> ✓	\$ <u>7,568,054</u> ✓

The Foundation has entered into agreements to lease premises and office equipment for various periods until 2022 for the National and Regional Offices. The Foundation is committed to the following rental payments for premises and office equipment:

Fiscal 2012	\$ 108,477
2013	106,445
2014	104,346
2015	103,854
2016	110,721
2017 and thereafter	<u>510,813</u>
	\$ <u>1,044,656</u>

#### Letters of credit

At June 30, 2011, the Foundation has outstanding letters of credit in the amount of \$26,000 issued in the normal course of business, that ensure the Foundation's performance or payment to third parties in accordance with specified terms and conditions.

Depositor for  
 Property  
 we  
 have  
 entered on.

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# Crohn's and Colitis Foundation of Canada

## Notes to the Financial Statements

June 30, 2011

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### 9. Financial instruments risk

The Foundation's financial instruments consist of cash, restricted cash, investments, receivables, and payables and accruals, and they are classified as described in Note 2. It is management's opinion that the Foundation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of the financial instruments that are classified as loans and receivables and other financial liabilities approximate the carrying values.

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### 10. Capital disclosure

The capital structure of the Foundation consists of endowment funds, internally restricted research reserve fund and unrestricted funds.

The Foundation's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide the appropriate level of benefits and services to its members and stakeholders. Specifically, the endowment funds which are subject to donor and Board imposed restrictions have corresponding segregated investments equal to the endowment funds. Also, the internally restricted research reserve fund sets aside investments in an amount at least equal to future research grants approved by the Board to honour its commitments.

The Foundation manages the amount of fund balances in proportion to risk, manages its capital structure and makes adjustments in light of economic conditions and the risk characteristics of the underlying assets.

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### 11. Tax receipting

Total tax receipted revenue for the fiscal year is available on the T3010B Registered Charity Information Return filed with the Canada Revenue Agency six months after year end. This information is available to the public on the CRA website. Tax receipted gifts reported on the T3010B include gifts in kind as well as cash.

