

# **Crohn's and Colitis Canada**

## **Financial Statements**

**For the year ended June 30, 2018**

# **Crohn's and Colitis Canada**

## **Financial Statements**

**For the year ended June 30, 2018**

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### **Contents**

<b>Independent Auditor's Report</b>	<b>2</b>
<b>Financial Statements</b>	
Statement of Financial Position	<b>3</b>
Statement of Revenue and Expenses	<b>4</b>
Statement of Changes in Fund Balances	<b>5</b>
Statement of Cash Flows	<b>6</b>
Notes to Financial Statements	<b>7-16</b>



Tel: 416 865 0200  
Fax: 416 865 0887  
www.bdo.ca

BDO Canada LLP  
TD Bank Tower  
66 Wellington Street West, Suite 3600  
P.O. Box 131  
Toronto, ON M5K 1H1 Canada

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of Crohn's and Colitis Canada, which comprise the statement of financial position as at June 30, 2018 and the statements 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 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

#### Opinion

In our opinion, the financial statements presents fairly, in all material respects, the financial position of Crohn's and Colitis Canada as at June 30, 2018, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

September 29, 2018  
Toronto, Ontario

## Crohn's and Colitis Canada Statement of Financial Position

June 30	2018	2017
<b>Assets</b>		
<b>Current</b>		
Cash (Note 3)	\$ 5,513,655	\$ 4,164,698
Externally restricted cash (Note 4)	201,088	179,290
Investments (Note 5)	8,255,229	7,736,065
Accounts receivable	832,466	714,327
Prepaid expenses	63,706	107,581
	14,866,144	12,901,961
<b>Investments (Note 5)</b>	<b>357,647</b>	<b>329,272</b>
<b>Property and equipment (Note 6)</b>	<b>140,006</b>	<b>185,462</b>
	<b>\$ 15,363,797</b>	<b>\$ 13,416,695</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 806,975	\$ 718,922
Deferred revenue (Note 7)	3,922,298	2,634,472
	4,729,273	3,353,394
<b>Deferred revenue (Note 7)</b>	<b>478,857</b>	<b>466,816</b>
	<b>5,208,130</b>	<b>3,820,210</b>
<b>Fund Balances (Note 9)</b>		
Endowment	565,528	521,643
Internally restricted research reserve	4,256,202	3,291,985
Internally restricted property and equipment	140,006	185,462
Internally restricted operating	1,500,000	1,500,000
Unrestricted	3,693,931	4,097,395
	10,155,667	9,596,485
	<b>\$ 15,363,797</b>	<b>\$ 13,416,695</b>

On behalf of the Board of Directors:



Byron Sonberg, Chair



Lawrence Davis, Treasurer

## Crohn's and Colitis Canada Statement of Revenue and Expenses

For the year ended June 30	2018	2017
<b>Revenue</b>		
Gifts	\$ 8,168,985	\$ 7,425,811
Fundraising event proceeds	6,239,693	6,492,315
Investment income (Note 5)	466,442	399,265
	<b>14,875,120</b>	<b>14,317,391</b>
<b>Expenses (Note 11)</b>		
Program costs		
Research	6,711,423	6,694,961
Education/awareness/advocacy	1,700,325	1,633,872
Volunteer/chapter services	637,377	666,658
	<b>9,049,125</b>	<b>8,995,491</b>
Support costs		
Fundraising expenses	4,011,521	3,734,769
General and administrative	1,291,127	1,368,562
	<b>5,302,648</b>	<b>5,103,331</b>
<b>Total expenses</b>	<b>14,351,773</b>	<b>14,098,822</b>
<b>Excess of revenue over expenses before undernoted</b>	<b>523,347</b>	<b>218,569</b>
<b>Foreign exchange loss</b>	<b>(8,050)</b>	<b>(24,476)</b>
<b>Excess of revenue over expenses for the year</b>	<b>\$ 515,297</b>	<b>\$ 194,093</b>

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	2018 Total	2017 Total
	(Note 9)	(Note 9)	(Note 9)	(Note 9)	(Note 9)		
<b>Fund balances, beginning of year</b>	<b>\$ 521,643</b>	<b>\$ 3,291,985</b>	<b>\$ 185,462</b>	<b>\$ 1,500,000</b>	<b>\$ 4,097,395</b>	<b>\$ 9,596,485</b>	\$ 9,348,507
<b>Excess of revenue over expenses for the year</b>	-	-	(46,600)	-	561,897	515,297	194,093
<b>Contributions to externally restricted endowment fund</b>	43,885	-	-	-	-	43,885	53,885
<b>Internally restricted research reserve fund and unrestricted fund balances</b>	-	964,217	-	-	(964,217)	-	-
<b>Acquisition of property, plant and equipment</b>	-	-	1,144	-	(1,144)	-	-
<b>Fund balances, end of year</b>	<b>\$ 565,528</b>	<b>\$ 4,256,202</b>	<b>\$ 140,006</b>	<b>\$ 1,500,000</b>	<b>\$ 3,693,931</b>	<b>\$ 10,155,667</b>	\$ 9,596,485

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	2018	2017
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenses for the year	\$ 515,297	\$ 194,093
Adjustments to reconcile excess of revenue over expenses for the year to cash provided by operating activities		
Amortization	46,600	41,326
Unrealized gain on investments (Note 5)	(190,261)	(111,646)
Changes in non-cash working capital balances		
Accounts receivables	(118,139)	(211,210)
Prepaid expenses	43,875	7,525
Accounts payables and accrued liabilities	88,053	13,600
Deferred revenue	1,299,867	(150,315)
	1,685,292	(216,627)
<b>Investing activities</b>		
Investment activity (net)	(330,893)	(726,383)
Acquisition of property and equipment	(1,144)	(108,970)
	(332,037)	(835,353)
<b>Financing activity</b>		
Contribution to endowment fund	17,500	27,500
	1,370,755	(1,024,480)
<b>Increase (decrease) in cash during the year</b>		
<b>Cash, beginning of year</b>	4,343,988	5,368,468
<b>Cash, end of year</b>	\$ 5,714,743	\$ 4,343,988
Cash:		
Unrestricted	\$ 5,513,655	\$ 4,164,698
Externally restricted (Note 4)	201,088	179,290
<b>Net cash</b>	\$ 5,714,743	\$ 4,343,988
<b>Non-cash transaction:</b>		
Life insurance policy (Note 5)	\$ 26,385	26,385

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

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# Crohn's and Colitis Canada Notes to Financial Statements

June 30, 2018

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## 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.

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## 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 46 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.

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# Crohn's and Colitis Canada Notes to Financial Statements

June 30, 2018

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## 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.

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# Crohn's and Colitis Canada Notes to Financial Statements

June 30, 2018

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## 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, 2018**

### 3. Cash

Included in cash are funds of \$4,617,293 (2017 - \$3,425,643) held in premium interest accounts with an effective interest rate of 1.06% (2017 - 0.75%).

### 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 \$478,857 (2017 - \$466,816).

	2018	2017
Cash included in investments accounts	\$ 80,728	\$ 39,149
Guaranteed investment certificates	2,581,412	2,576,734
Corporate bond funds	1,132,075	1,079,666
Listed Equities		
Canadian	946,350	869,715
United States	1,792,726	1,874,789
International	1,721,938	1,296,012
<b>Current investments</b>	<b>8,255,229</b>	7,736,065
Fixed income (federal and provincial bonds)	105,223	103,233
Life insurance policy (Note 9)	252,424	226,039
<b>Long term investments</b>	<b>357,647</b>	329,272
	<b>\$ 8,612,876</b>	\$ 8,065,337

The Guaranteed investment certificates bear interest between 0.50% and 1.88% (2017 - 0.50% and 1.00%) and mature between March 2019 and June 2019 (2017 - March 2018 and June 2018). Bonds have interest rates ranging from 1.25% to 3.7% (2017 - 1.25% to 4.5%) and mature between December 2020 and June 2027 (2017 - December 2018 and June 2026).

The Organization has assigned a \$1,000,000 guaranteed investment certificate, bearing interest at 0.90% (2017 - 1.00%) and maturing March 2019 (2017 - March 2018), as security for a \$1,000,000 line of credit with the Bank.

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

**June 30, 2018**

### 5. Investments - (Continued)

Investment income consists of the following:

	2018	2017
Dividend income	\$ 27,521	\$ 31,402
Interest income (including interest on cash balances)	155,728	151,132
Realized gain on sale of investments	92,932	105,085
Unrealized gain on investments	190,261	111,646
	\$ 466,442	\$ 399,265

### 6. Property and Equipment

	2018		2017	
	Cost	Accumulated Amortization	Carrying Amount	Carrying Amount
Computers and software	\$ 704,756	\$ 624,644	\$ 80,112	\$ 101,634
Furniture and fixtures	130,931	107,454	23,477	36,206
Leasehold improvements	125,310	88,893	36,417	47,622
	\$ 960,997	\$ 820,991	\$ 140,006	\$ 185,462

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

June 30, 2018

### 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	2018 Total	2017 Total
<b>Balance, beginning of year</b>	\$ 195,180	\$ 150,000	\$ 466,816	\$ 120,000	\$ 186,040	\$ 343,943	\$ 558,994	\$ 508,989	\$ 285,340	\$ 285,986	\$ 3,101,288	\$ 3,251,603
Transfers:	-	-	-	5,000	3,960	(22,480)	-	-	-	13,520	-	-
Add: Received	320,000	50,000	12,041	320,000	150,000	384,932	2,927,048	310,000	245,000	84,453	4,803,474	2,761,268
Less: Recognized	(135,000)	(35,000)	-	(245,000)	(240,000)	(466,589)	(1,730,923)	(220,395)	(152,740)	(277,960)	(3,503,607)	(2,911,583)
<b>Balance, end of year</b>	<b>\$ 380,180</b>	<b>\$ 165,000</b>	<b>\$ 478,857</b>	<b>\$ 200,000</b>	<b>\$ 100,000</b>	<b>\$ 239,806</b>	<b>\$ 1,755,119</b>	<b>\$ 598,594</b>	<b>\$ 377,600</b>	<b>\$ 105,999</b>	<b>\$ 4,401,155</b>	<b>\$ 3,101,288</b>
Current	\$ 380,180	\$ 165,000	\$ -	\$ 200,000	\$ 100,000	\$ 239,806	\$ 1,755,119	\$ 598,594	\$ 377,600	\$ 105,999	\$ 3,922,298	\$ 2,634,472
Long term	-	-	478,857	-	-	-	-	-	-	-	478,857	466,816
	<b>\$ 380,180</b>	<b>\$ 165,000</b>	<b>\$ 478,857</b>	<b>\$ 200,000</b>	<b>\$ 100,000</b>	<b>\$ 239,806</b>	<b>\$ 1,755,119</b>	<b>\$ 598,594</b>	<b>\$ 377,600</b>	<b>\$ 105,999</b>	<b>\$ 4,401,155</b>	<b>\$ 3,101,288</b>

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# Crohn's and Colitis Canada Notes to Financial Statements

**June 30, 2018**

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## 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:

2019	\$ 126,000
2020	131,000
2021	133,000
2022	<u>34,000</u>
	<u>\$ 424,000</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 U.S. \$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, 2018, the Organization has received U.S. \$8,654,367 (2017 - \$5,727,319) from the Helmsley Charitable Trust and has expended \$6,899,280 (2017 - \$5,168,325) with the remaining balance recognized as deferred revenue. The Organization itself is committed to \$2,515,199 (2017 - \$290,398) towards the GEM Project of which \$1,140,000 (2017 - \$290,398) represents its commitment for the next 12 months and is included in internally restricted research reserve fund (Note 9b).

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## 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 \$43,885 (2017 - \$53,885), including \$26,385 (2017 - \$26,385) of life insurance policy, 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, 2018**

### 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:

	2018	2017
Research grant commitments, beginning of year	\$ 8,268,018	\$ 10,185,573
Research grants approved during the year	9,591,603	4,407,316
Research grants withdrawn/reduced during the year	(53,048)	(72,101)
	17,806,573	14,520,788
Research grants paid during the year	(6,224,910)	(6,252,770)
Research grant commitments, end of year	11,581,663	8,268,018
Less: Research grant commitments beyond 12 months	(7,325,461)	(4,976,033)
Research grant commitments within 12 months	\$ 4,256,202	\$ 3,291,985

During the year, the board approved the transfer of \$964,217 from the unrestricted to the restricted fund (2017 - \$471,876 from restricted to unrestricted 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. During the year, there was no transfer (2017 - \$100,000) from the unrestricted to restricted fund to match requirements of internal restriction of three months operating expenses.

#### e) Unrestricted Fund

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

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# Crohn's and Colitis Canada Notes to Financial Statements

June 30, 2018

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## 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, 2018:

### 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 receivables and fixed income investments.

### 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).

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

**June 30, 2018**

**11. Expense Allocation**

	Research	Education/ Awareness/ Advocacy	Volunteer/ Chapter Services	Fundraising Expenses	General and Administrative	2018	2017
Direct costs	\$ 6,285,805	\$ 825,802	\$ 93,945	\$ 2,049,082	\$ 106,490	\$ 9,361,124	\$ 9,280,643
Allocated costs							
Salaries and benefits	357,891	719,108	452,664	1,661,844	965,184	4,156,691	3,825,526
General office	38,365	115,829	59,294	202,747	147,947	564,182	725,884
Rent	29,362	39,586	31,474	86,841	60,498	247,761	244,761
Insurance	-	-	-	11,007	11,008	22,015	22,008
Total expenses	<b>\$ 6,711,423</b>	<b>\$ 1,700,325</b>	<b>\$ 637,377</b>	<b>\$ 4,011,521</b>	<b>\$ 1,291,127</b>	<b>\$ 14,351,773</b>	<b>\$ 14,098,822</b>

**12. Comparative Amounts**

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.