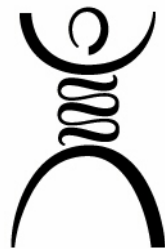




Financial Statements

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

June 30, 2010



Crohn's and Colitis  
Foundation of Canada

Fondation canadienne des  
maladies inflammatoires  
de l'intestin

# Contents

	<b>Page</b>
Auditors' Report	1
Statement of Revenue and Expenses	2
Statement of Changes in Fund Balances	3
Balance Sheet	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 13



# Grant Thornton

## Auditors' Report

To the Members of the

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

**Grant Thornton LLP**  
19th Floor, Royal Bank Plaza South Tower  
200 Bay Street, Box 55  
Toronto, ON  
M5J 2P9

T (416) 366-0100  
F (416) 360-4949  
[www.GrantThornton.ca](http://www.GrantThornton.ca)

We have audited the balance sheet of the **Crohn's and Colitis Foundation of Canada** as at June 30, 2010 and the statements of revenue and expenses, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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 revenue, excess of revenue over expenses, assets and fund balances.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations, memberships and promotional events revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at June 30, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Grant Thornton LLP*

Toronto, Ontario  
August 25, 2010

Chartered Accountants  
Licensed Public Accountants

---

## Crohn's and Colitis Foundation of Canada

### Statement of Revenue and Expenses

Year Ended June 30

2010

2009

---

#### Revenue

Fundraising event proceeds	\$ 7,381,010	\$ 6,818,365
Gifts	3,298,099	3,809,463
Investment income (Note 5)	379,650	132
Other	68,642	50,461
	<u>11,127,401</u>	<u>10,678,421</u>

#### Expenses (Note 3)

Program costs		
Research	5,507,404	5,657,577
Education/Awareness	983,523	887,009
Volunteer/Chapter services	912,626	1,028,173
	<u>7,403,553</u>	<u>7,572,759</u>

#### Support costs

Fundraising expenses	2,617,806	3,088,443
General and administrative	1,296,879	1,226,058
	<u>3,914,685</u>	<u>4,314,501</u>
	<u>11,318,238</u>	<u>11,887,260</u>

Deficiency of revenue over expenses	\$ <u>(190,837)</u>	\$ <u>(1,208,839)</u>
-------------------------------------	---------------------	-----------------------

---

See accompanying notes to the financial statements.

# Crohn's and Colitis Foundation of Canada

## Statement of Changes in Fund Balances

Year Ended June 30

	2010				2009			
	Endowment Funds	Internally Restricted Research Reserve Fund	Unrestricted	Total	Endowment Funds	Internally Restricted Research Reserve Fund	Unrestricted	Total
Fund balances, beginning of year	\$ 378,672	\$ 8,041,613	\$ 2,648,923	\$ 11,069,208	\$ -	\$ 9,289,693	\$ 2,610,612	\$ 11,900,305
Deficiency of revenue over expenses	-	-	(190,837)	(190,837)	-	-	(1,208,839)	(1,208,839)
Investment income on endowment	12,915	-	-	12,915	930	-	(930)	-
Investment expenses	(1,483)	-	1,483	-	-	-	-	-
Endowment contributions	15,379	-	-	15,379	377,742	-	-	377,742
Transfer between Unrestricted Fund and Endowment Funds	(20,000)	-	20,000	-	-	-	-	-
Internally Restricted Research Reserve Fund and Unrestricted Fund (Note 8)	-	(473,559)	473,559	-	-	(1,248,080)	1,248,080	-
Fund balances, end of year	\$ 385,483	\$ 7,568,054	\$ 2,953,128	\$ 10,906,665	\$ 378,672	\$ 8,041,613	\$ 2,648,923	\$ 11,069,208

See accompanying notes to the financial statements.

---

## Crohn's and Colitis Foundation of Canada

### Balance Sheet

June 30 2010 2009

---

#### Assets

##### Current

Cash and cash equivalent	\$ 796,350	\$ 948,810
Restricted cash (Note 4)	2,292,210	130,926
Receivables	704,029	564,008
Prepays	<u>99,003</u>	<u>97,532</u>
	<u>3,891,592</u>	<u>1,741,276</u>

##### Investments (Note 5)

Restricted	378,171	371,844
Other	<u>9,178,564</u>	<u>9,751,355</u>
	<u>9,556,735</u>	<u>10,123,199</u>

##### Property and equipment (Note 6)

	<u>231,085</u>	<u>79,649</u>
	<u>\$ 13,679,412</u>	<u>\$ 11,944,124</u>

---

#### Liabilities

##### Current

Payables and accruals	\$ 593,827	\$ 703,922
Deferred revenue (Note 7)	<u>2,178,920</u>	<u>170,994</u>
	<u>2,772,747</u>	<u>874,916</u>

#### Funds

Endowment funds	385,483	378,672
Internally restricted research reserve fund (Note 8)	7,568,054	8,041,613
Unrestricted	<u>2,953,128</u>	<u>2,648,923</u>
	<u>10,906,665</u>	<u>11,069,208</u>
	<u>\$ 13,679,412</u>	<u>\$ 11,944,124</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

2010

2009

Increase (decrease) in cash and cash equivalents

<b>Operating activities</b>		
Deficiency of revenue over expenses	\$ (190,837)	\$ (1,208,839)
Depreciation	36,090	17,476
Unrealized gain on investments	(63,973)	205,263
Changes in non-cash working capital		
Receivables	(140,021)	(9,330)
Inventory	-	5,500
Prepays	(1,471)	1,061
Payables and accruals	(110,095)	(2,036)
Deferred revenue	<u>2,007,926</u>	<u>41,009</u>
	<u>1,537,619</u>	<u>(949,896)</u>
<b>Financing activities</b>		
Endowment contributions	15,379	377,742
Endowment investment income	<u>12,915</u>	<u>-</u>
	<u>28,294</u>	<u>377,742</u>
<b>Investing activities</b>		
Acquisition of capital assets	(187,526)	(66,679)
Net decrease in investments	<u>630,437</u>	<u>492,995</u>
	<u>442,911</u>	<u>426,316</u>
Increase (decrease) in cash and cash equivalents	2,008,824	(145,838)
Cash and cash equivalents, beginning of year	<u>1,079,736</u>	<u>1,225,574</u>
Cash and cash equivalents, end of year	\$ <u>3,088,560</u>	\$ <u>1,079,736</u>

Cash and cash equivalents comprise:

Cash	\$ 796,350	\$ 948,810
Restricted cash	<u>2,292,210</u>	<u>130,926</u>
	\$ <u>3,088,560</u>	\$ <u>1,079,736</u>

See accompanying notes to the financial statements.

---

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

## **Notes to the Financial Statements**

June 30, 2010

---

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

Crohn's and Colitis Foundation of Canada (the "Foundation") is a national non-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 non-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.

---

### **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.



---

# Crohn's and Colitis Foundation of Canada

## Notes to the Financial Statements

June 30, 2010

---

### 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, 2010

---

### 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.

#### Adoption of new accounting policies

Effective July 1, 2009, the Foundation adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook sections:

Section 1000, "Financial Statements Concepts", has been amended to clarify the recognition of an asset. The application of the matching concept does not allow the recognition of items in the balance sheet which do not meet the definition of assets or liabilities. An expense is recognized immediately in the income statement when expenditures produce no future economic benefit.

Section 4400, "Financial Statement Presentation by Not for Profit Organizations" was amended to permit a not for profit organization to present net assets invested in capital assets as a category of internally restricted net assets and clarification of presentation of revenue and expenses on a gross basis when the entity is acting as the principal in a transaction.

Section 4460, "Disclosure of Related Party Transactions", has been amended to align the definition of related parties to CICA section 3840, "Related Party Transactions".

These new standards do not have significant impact on Foundation's financial statements. Other new standards have been issued but they are not expected to have a material impact on the Foundation's financial statements.

---

# Crohn's and Colitis Foundation of Canada

## Notes to the Financial Statements

June 30, 2010

### 3. Expense Allocation

	Research	Education	Volunteer/ Chapter	Fundraising	General and administrative	2010	2009
Direct Costs	\$ 5,156,567	\$ 459,902	\$ 255,692	\$ 1,481,688	\$ 109,445	\$ 7,463,294	\$ 8,239,589
Allocated Costs							
Salaries and benefits	210,172	399,665	503,504	869,240	784,471	2,767,052	2,536,275
Staff development and conferences	6,819	12,968	16,337	28,204	25,454	89,782	99,444
Rent	29,759	27,384	48,924	65,499	61,724	233,290	221,764
Equipment and technology	8,336	15,853	19,971	34,477	31,115	109,752	58,695
Commodity taxes	4,991	13,991	12,983	37,240	18,450	87,655	92,046
Publications	16,031	24,024	11,739	25,954	7,192	84,940	142,888
General office	9,432	17,935	22,595	39,007	35,203	124,172	133,286
Insurance	-	-	-	11,005	11,004	22,009	20,888
Professional services	-	-	-	-	153,216	153,216	193,017
Board of Director expenses	-	-	-	-	37,871	37,871	30,559
Travel	4,594	11,801	20,881	25,492	21,734	84,502	91,021
IBD Research Institute	60,703	-	-	-	-	60,703	27,788
Total	\$ 5,507,404	\$ 983,523	\$ 912,626	\$ 2,617,806	\$ 1,296,879	\$ 11,318,238	\$ 11,887,260

#### Allocation Method:

##### Salaries and benefits

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

##### Staff development and conferences, General office, 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.

##### Commodity tax

As commodity tax is incurred on the majority of expenditures incurred by the Foundation, the allocation across different functions is attributable to the total allocation of all other expenses before these taxes.

##### 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.

---

# Crohn's and Colitis Foundation of Canada

## Notes to the Financial Statements

June 30, 2010

---

### 3. Expense Allocation (continued)

#### Board of Director expenses

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

---

### 4. Restricted cash

Restricted cash represents \$286,825 in gaming revenues earned by the Foundation as well as \$2,005,385 in proceeds of a major gift being held for distribution during fiscal 2011 on the research program per donor restrictions. Use of gaming revenues by the Foundation are restricted by the local authorities in the area where the gaming revenues were earned.

---

### 5. Investments

Investments are stated at fair value. These investments include investments that are segregated for the endowment funds of \$378,171 (2009: \$371,844).

	<u>2010</u>	<u>%</u>	<u>2009</u>	<u>%</u>
Cash and cash equivalents	\$ 335,116	4	\$ 370,849	4
Equities				
Canadian	968,262	10	1,079,406	10
U.S.	946,897	10	988,247	10
International	<u>966,960</u>	10	<u>916,741</u>	9
	<u>2,882,119</u>	30	<u>2,984,394</u>	29
Fixed Income (Bonds)	<u>6,339,500</u>	66	<u>6,767,956</u>	67
	<u>\$ 9,556,735</u>	100	<u>\$ 10,123,199</u>	100

Bonds mature within the next eleven years and have a weighted interest rate of 3.5%.

---

## Crohn's and Colitis Foundation of Canada

### Notes to the Financial Statements

June 30, 2010

---

#### 5. Investments (continued)

The investment income consists of the following:

	<u>2010</u>	<u>2009</u>
Dividend income	\$ 76,240	\$ 81,010
Interest income (including interest on cash balance)	270,520	318,131
Realized loss on sale of investments	(31,083)	(193,746)
Unrealized gain (loss) on investments	<u>63,973</u>	<u>(205,263)</u>
	<b>\$ 379,650</b>	<b>\$ 132</b>

---

#### 6. Property and equipment

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>2010 Net Book Value</u>	<u>2009 Net Book Value</u>
Computers & software	\$ 361,840	\$ 185,374	\$ 176,466	\$ 16,363
Furniture and fixtures	54,914	16,761	38,153	44,162
Leasehold improvements	<u>29,687</u>	<u>13,221</u>	<u>16,466</u>	<u>19,124</u>
	<b>\$ 446,441</b>	<b>\$ 215,356</b>	<b>\$ 231,085</b>	<b>\$ 79,649</b>

---

#### 7. Deferred revenue

Amounts received for events to be held in fiscal 2011 are included in deferred revenue. Current year balance includes \$2,000,013 received for Major Gifts to fund research program, \$25,885 received for Gala Dinners, \$89,300 for Golf Tournaments, and \$1,600 for other events. There was also \$62,122 received in corporate sponsorships and government grants relating to fiscal 2011.

---

# Crohn's and Colitis Foundation of Canada

## Notes to the Financial Statements

June 30, 2010

---

### 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>2010</u>	<u>2009</u>
Research grant commitment, beginning of year	\$ 8,041,613	\$ 9,289,693
Research grants awarded during the year	4,683,008	4,251,149
Research grants withdrawn during the year	<u>-</u>	<u>(204,800)</u>
	<u>12,724,621</u>	<u>13,336,042</u>
Research grants paid during the year	<u>(5,156,567)</u>	<u>(5,294,429)</u>
Research grant commitment, end of year	\$ <u>7,568,054</u>	\$ <u>8,041,613</u>

The Foundation has entered into agreements to lease premises and office equipment for various periods until 2015 for the National and Regional Offices. The Foundation is committed to the following rental payments for premises and office equipment:

Fiscal 2011	\$ 120,617
2012	107,709
2013	106,445
2014	104,346
2015 and thereafter	<u>852,537</u>
	\$ <u>1,291,654</u>

#### Letters of credit

At June 30, 2010, the Foundation has outstanding letters of credit in the amount of \$35,000 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.

---

### 9. Inflammatory Bowel Disease Network Tissue Bank

The Inflammatory Bowel Disease Network Tissue Bank (the "Tissue Bank") was a national non-profit organization established to facilitate medical research. The Foundation controlled the Tissue Bank as it appointed its Board of Directors.

The Board of Directors of the Tissue Bank duly authorized the surrender of the Tissue Bank's charter at a meeting held on June 20, 2009.

The Tissue Bank submitted an application for surrender of its charter under Part 11 of the Canada Corporations Act, and on December 24, 2009, the corporation was dissolved.

---

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

## **Notes to the Financial Statements**

June 30, 2010

---

### **10. 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.

---

### **11. 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.

---

### **12. Comparative figures**

Certain comparative figures have been reclassified to conform with the presentation adopted in the current period.

---

### **13. 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.