

Financial Statements of

CYSTIC FIBROSIS CANADA

Years ended January 31, 2013 and 2012



KPMG LLP
Chartered Accountants
Yonge Corporate Centre
4100 Yonge Street Suite 200
Toronto ON M2P 2H3
Canada

Telephone (416) 228-7000
Fax (416) 228-7123
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Members of Cystic Fibrosis Canada

We have audited the accompanying financial statements of Cystic Fibrosis Canada, which comprise the statements of financial position as at January 31, 2013, January 31, 2012 and February 1, 2011, the statements of operations, changes in net assets and cash flows for the years ended January 31, 2013 and January 31, 2012, and notes, comprising 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 our 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, we consider 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 in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.



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Basis of Qualified Opinion

In common with many not-for-profit organizations, Cystic Fibrosis Canada derives revenue from cash donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of Cystic Fibrosis Canada. Therefore, we were not able to determine whether, as at and for the years ended January 31, 2013 and January 31, 2012, any adjustments might be necessary to revenue and excess (deficiency) of revenue over expenses reported in the statements of operations, excess (deficiency) of revenue over expenses reported in the statements of cash flows and current assets and net assets reported in the statements of financial position.

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 Cystic Fibrosis Canada as at January 31, 2013, January 31, 2012 and February 1, 2011, and its results of operations and its cash flows for the years ended January 31, 2013 and January 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

April 16, 2013
Toronto, Canada

CYSTIC FIBROSIS CANADA

Statements of Financial Position
(In thousands of dollars)

January 31, 2013, January 31, 2012 and February 1, 2011

	2013	2012	2011
Assets			
Current assets:			
Cash	\$ 1,773	\$ 1,633	\$ 1,706
Short-term investments (note 2)	2,440	3,687	4,051
Receivables and other assets	1,330	870	844
	<u>5,543</u>	<u>6,190</u>	<u>6,601</u>
Long-term investments (note 2)	10,803	9,868	10,352
	<u>\$ 16,346</u>	<u>\$ 16,058</u>	<u>\$ 16,953</u>

Liabilities and Net Assets

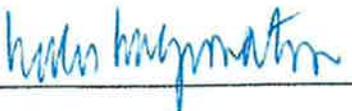
Current liabilities:			
Accounts payable and accrued liabilities (note 5)	\$ 378	\$ 520	\$ 502
Deferred contributions (note 3)	442	280	274
	<u>820</u>	<u>800</u>	<u>776</u>
Net assets:			
Endowment	94	94	94
Internally restricted for research and clinics (note 6)	12,221	12,123	12,868
Unrestricted	3,211	3,041	3,215
	<u>15,526</u>	<u>15,258</u>	<u>16,177</u>
Commitments (note 10)			
	<u>\$ 16,346</u>	<u>\$ 16,058</u>	<u>\$ 16,953</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

CYSTIC FIBROSIS CANADA

Statements of Operations
(In thousands of dollars)

Years ended January 31, 2013 and 2012

	2013	2012
Revenue:		
Chapter - operating	\$ 11,975	\$ 13,789
Chapter - bequests	430	564
Kin Canada	1,192	938
Shinerama	1,035	1,117
Corporations	620	770
Foundations	100	144
Royalties	407	217
Other	323	3
	<u>16,082</u>	<u>17,542</u>
Less direct fundraising costs	3,847	4,836
Net fundraising revenue	<u>12,235</u>	<u>12,706</u>
Investment income:		
Realized gains on investments	489	389
Unrealized gain (loss) on investments	542	(357)
Derivative gain (loss) in foreign exchange contracts	(48)	32
	<u>983</u>	<u>64</u>
	<u>13,218</u>	<u>12,770</u>
Expenses:		
Program:		
Research grants and awards	5,553	5,814
Special research initiative	96	445
Clinics	2,024	2,110
Patient services	566	458
Public awareness	1,228	1,355
	<u>9,467</u>	<u>10,182</u>
Other:		
Administration	1,961	2,013
Meetings	627	625
Fundraising	895	869
	<u>12,950</u>	<u>13,689</u>
Excess (deficiency) of revenue over expenses	<u>\$ 268</u>	<u>\$ (919)</u>

See accompanying notes to financial statements.

CYSTIC FIBROSIS CANADA

Statements of Changes in Net Assets
(In thousands of dollars)

Years ended January 31, 2013 and 2012

January 31, 2013	Endowment	Internally restricted for research and clinics (note 6)	Unrestricted	Total
Net assets, beginning of year	\$ 94	\$ 12,123	\$ 3,041	\$ 15,258
Excess of revenue over expenses	–	–	268	268
Transfer between funds	–	98	(98)	–
Net assets, end of year	\$ 94	\$ 12,221	\$ 3,211	\$ 15,526

January 31, 2012	Endowment	Internally restricted for research and clinics (note 6)	Unrestricted	Total
Net assets, beginning of year	\$ 94	\$ 12,868	\$ 3,215	\$ 16,177
Deficiency of revenue over expenses	–	–	(919)	(919)
Transfer between funds	–	(745)	745	–
Net assets, end of year	\$ 94	\$ 12,123	\$ 3,041	\$ 15,258

See accompanying notes to financial statements.

CYSTIC FIBROSIS CANADA

Statements of Cash Flows
(In thousands of dollars)

Years ended January 31, 2013 and 2012

	2013	2012
Cash provided by (used) in:		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 268	\$ (919)
Items not involving cash:		
Unrealized loss (gain) on investments	(542)	357
Derivative loss (gain) on foreign exchange contracts	48	(32)
Change in non-cash operating working capital:		
Increase in receivables and other assets	(460)	(26)
Increase (decrease) in accounts payable and accrued liabilities	(142)	18
Increase in deferred contributions	162	6
	<u>(666)</u>	<u>(596)</u>
Investing activities:		
Net decrease in short-term investments	1,247	364
Net decrease in long-term investments	(441)	159
	<u>806</u>	<u>523</u>
Increase (decrease) in cash	140	(73)
Cash, beginning of year	1,633	1,706
Cash, end of year	<u>\$ 1,773</u>	<u>\$ 1,633</u>

See accompanying notes to financial statements.

CYSTIC FIBROSIS CANADA

Notes to Financial Statements
(In thousands of dollars)

Years ended January 31, 2013 and 2012

Cystic Fibrosis Canada (the "Organization") is a not-for-profit corporation that is the only non-governmental organization raising funds for cystic fibrosis research and care in Canada. With now more than 50 years as the largest funder of cystic fibrosis research in Canada, the Organization has evolved as one of Canada's top-rated charities; finding a cure continues to be its key goal.

On February 1, 2011, the Organization adopted Canadian accounting standards for not-for-profit organizations in Part III of The Canadian Institute of Chartered Accountants' ("CICA") Handbook. These are the first financial statements prepared in accordance with not-for-profit standards.

In accordance with the transitional provisions in not-for-profit standards, the Organization has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is February 1, 2011 and all comparative information provided has been presented by applying not-for-profit standards. There are no transitional adjustments as a result of adopting Part III of the CICA Handbook.

The Organization is a registered charity under the Income Tax Act (Canada) and is, therefore, exempt from income taxes.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The most significant accounting policies are as follows:

(a) Revenue recognition:

The Organization follows the deferral method of accounting for contributions.

Unrestricted contributions and royalties are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

Endowment contributions are recognized as direct increases in endowment net assets.

CYSTIC FIBROSIS CANADA

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended January 31, 2013 and 2012

1. Significant accounting policies (continued):

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized when earned.

Donor payments of life insurance policies, which vest irrevocably with the Organization and which are tax-receipted by the Organization, are recognized as an investment and as deferred contributions until such time as the proceeds are received, at which point, they are recognized as revenue.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. The Organization has elected to continue to carry all financial instruments at fair value. Transaction costs incurred on the acquisition of financial instruments are expensed as incurred.

Financial assets are assessed for impairment on an annual basis. If there is an indicator of impairment, and if the Organization determines there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the: (i) present value of the expected cash flows, (ii) the amount that could be realized from selling the financial asset or (iii) the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

CYSTIC FIBROSIS CANADA

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended January 31, 2013 and 2012

1. Significant accounting policies (continued):

(c) Allocation of general and fundraising expenses:

The Organization classifies expenses on the statement of operations by function. The Organization allocates certain costs by identifying the appropriate basis of allocating and applying that basis consistently each year. Allocated expenses and the basis of allocating are as follows:

- (i) Payroll expenses are allocated proportionally on the basis of the amount of time devoted by personnel to each function.
- (ii) Rent, storage, information technology ("IT"), and phone expenses are allocated proportionally on the same basis as payroll.
- (iii) Chapter development and training expenses are allocated proportionally on the basis of the functions performed by the Organization's chapters.
- (iv) Payroll and rent expense for employees directly related to fundraising events and partnerships (Great Strides Walk, Shinerama, Kin Canada, Direct mail) are allocated to direct fundraising costs.

(d) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty in determining the fair value, contributed services are not recognized in the financial statements.

(e) 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

CYSTIC FIBROSIS CANADA

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended January 31, 2013 and 2012

2. Short-term and long-term investments:

	January 31, 2013	January 31, 2012	February 1, 2011
Cash and cash equivalents	\$ 1,082	\$ 938	\$ 728
Canadian fixed income	5,656	6,834	7,564
Canadian equities	2,442	2,183	2,352
Foreign equities	4,079	3,568	3,759
Foreign exchange contracts, net	(16)	32	—
	<u>\$ 13,243</u>	<u>\$ 13,555</u>	<u>\$ 14,403</u>

All short-term and long-term investments are recorded at fair value. The short-term and long-term investments include fixed income securities which bear a yield to maturity of 2.24% (January 31, 2012 - 2.34%; February 1, 2011 - 2.14%) with maturity dates ranging from 1 month to 6 months (January 31, 2012 - 2 months to 11 months; February 1, 2011 - 4 days to 18 months).

(a) Market risk:

The value of equity securities changes with stock market conditions, which are affected by general economic and market conditions and developments within the specific companies or governments which issued the securities.

(b) Credit risk:

Credit risk is the risk of a financial loss occurring as a result in default of a counterparty on its obligation. The Organization mitigates credit risk by dealing with counterparties that have a minimum credit rating of R-1 and by limiting investments in any one issuer of debt securities (excluding Canadian governments and Schedule I banks) to 5% of the fair value of its long-term investment portfolio.

(c) Interest rate risk:

The value of fixed income securities will generally rise if interest rates fall and decrease if interest rates rise. Changes in interest rates may also affect the value of equity securities.

CYSTIC FIBROSIS CANADA

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended January 31, 2013 and 2012

2. Short-term and long-term investments (continued):

(d) Foreign currency risk:

The value of securities denominated in a currency other than Canadian dollars will be affected by changes in the value of the Canadian dollar in relation to the value of the currency in which the security is denominated. The Organization mitigates foreign currency risk by hedging investments denominated in U.S. dollars.

3. Deferred contributions:

Deferred contributions represent the deferred portion of investments in life insurance contributions, contributions related to future expenses and contributions made on the condition by the donor that these funds be restricted for a special purpose.

	January 31, 2013	January 31, 2012	February 1, 2011
Balance, beginning of year	\$ 280	\$ 274	\$ 217
Contributions	361	204	203
	641	478	420
Recognized as revenue	199	198	146
Balance, end of year	\$ 442	\$ 280	\$ 274

4. Demand facility:

The Organization has an arrangement with its banker providing for a revolving demand facility in the amount of \$550. The demand facility is unsecured and bears interest at the bank's prime interest rate. As at January 31, 2013, the Organization has not utilized the available demand facility.

CYSTIC FIBROSIS CANADA

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended January 31, 2013 and 2012

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of nil (January 31, 2012 - nil; February 1, 2011 - \$1).

6. Net assets internally restricted for research and clinics:

Net assets internally restricted for research and clinics represent the amount of grant commitments approved by the Board of Directors which will be paid as follows:

2014	\$ 7,156
2015	3,363
2016	1,702
	\$ 12,221

7. Allocation of expenses:

General support and fundraising expenses of \$4,889 (2012 - \$5,069) have been allocated as follows:

2012-2013		General support and fundraising expenses				
Function	Payroll	Rent and storage	IT and phone	Chapter development/training	Total	
Research grants and awards	\$ 283	\$ 22	\$ 19	\$ 4	\$ 328	
Clinics	158	12	11	-	181	
Patient services	283	31	25	7	346	
Public awareness	788	92	36	9	925	
Administration	1,186	147	54	82	1,469	
Meetings	135	17	17	-	169	
Fundraising	1,233	154	61	23	1,471	
	\$ 4,066	\$ 475	\$ 223	\$ 125	\$ 4,889	

CYSTIC FIBROSIS CANADA

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended January 31, 2013 and 2012

7. Allocation of expenses (continued):

2011-2012					
General support and fundraising expenses					
Function	Payroll	Rent and storage	IT and phone	Chapter development/training	Total
Research grants and awards	\$ 261	\$ 27	\$ 26	\$ –	\$ 314
Clinics	142	15	14	–	171
Patient services	249	39	32	4	324
Public awareness	766	97	46	9	918
Administration	1,221	193	72	32	1,518
Meetings	136	21	20	–	177
Fundraising	1,353	196	79	19	1,647
	\$ 4,128	\$ 588	\$ 289	\$ 64	\$ 5,069

8. Disclosure in compliance with the Imagine Canada Ethical Code:

The Organization has adopted the Ethical Code of Imagine Canada.

	2013	2012
Total fundraising revenue	\$ 16,082	\$ 17,542
Total direct costs and fundraising expenses	4,742	5,705
Total donations received for income tax purposes	7,923	7,834
Total expenditures on charitable activities	9,467	10,182

9. Fundraising expenses:

Fundraising expenses include \$486 (2012 - \$546) paid as remuneration to employees whose principal duties involve fundraising.

CYSTIC FIBROSIS CANADA

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended January 31, 2013 and 2012

10. Commitments:

The Organization is committed under operating leases with terms extending to January 31, 2022 for office premises and equipment with the following minimum annual rental payments:

2014	\$ 469
2015	463
2016	447
2017	381
2018	170
Thereafter	173

The Organization has provided letters of credit of \$49 to guarantee prizes and awards of lotteries.