

Financial Statements of

CYSTIC FIBROSIS CANADA

And Independent Auditors' Report thereon

Year ended January 31, 2021



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INDEPENDENT AUDITORS' REPORT

To the Members of Cystic Fibrosis Canada

Qualified Opinion

We have audited the financial statements of Cystic Fibrosis Canada (the Entity), which comprise:

- the statement of financial position as at January 31, 2021
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "***Basis for Qualified Opinion***" section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at January 31, 2021, 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 Qualified Opinion

In common with many charitable organizations, the Entity derives chapter revenue from cash donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at January 31, 2021 and January 31, 2020
- chapter revenue and excess (deficiency) of revenue over expenses reported in the statements of operations for the years ended January 31, 2021 and January 31, 2020



Page 2

- the unrestricted net assets, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended January 31, 2021 and January 31, 2020
- the excess (deficiency) of revenue over expenses reported in the statements of cash flows for the years ended January 31, 2021 and January 31, 2020.

Our opinion on the financial statements for the year ended January 31, 2020 was qualified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

We are independent of the Entity 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 qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' 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 auditors' 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.



Page 3

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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.



Page 4

- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

April 1, 2021

CYSTIC FIBROSIS CANADA

Statement of Financial Position
(In thousands of dollars)

January 31, 2021, with comparative information for 2020

	2021	2020
Current assets:		
Cash and cash equivalents	\$ 5,142	\$ 1,847
Short-term investments (note 2)	848	1,015
Receivables and other assets (note 3)	1,984	943
	<u>7,974</u>	<u>3,805</u>
Contributions receivable (note 4)	160	150
Long-term investments (note 2)	4,515	6,025
Capital assets (note 5)	41	55
	<u>\$ 12,690</u>	<u>\$ 10,035</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 587	\$ 1,012
Deferred revenue	327	319
	<u>914</u>	<u>1,331</u>
Long-term deferred contributions (note 6)	265	290
	<u>1,179</u>	<u>1,621</u>
Net assets:		
Endowment	94	94
Internally restricted for research and healthcare (note 9)	2,068	—
Unrestricted	9,349	8,320
	<u>11,511</u>	<u>8,414</u>
Commitments (notes 9 and 12)		
	<u>\$ 12,690</u>	<u>\$ 10,035</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

CYSTIC FIBROSIS CANADA

Statement of Operations
(In thousands of dollars)

Year ended January 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Chapter	\$ 6,988	\$ 12,179
Leadership Gifts and Sponsorship	1,754	1,870
Kin Canada	775	1,098
Other (note 3)	2,020	572
Royalties	439	451
Bequests	859	220
	<u>12,835</u>	<u>16,390</u>
Less direct fundraising costs	<u>2,035</u>	<u>4,062</u>
	<u>10,800</u>	<u>12,328</u>
Expenses (note 11):		
Program:		
Research	1,372	5,494
Healthcare	730	2,167
Education/public awareness	1,682	2,098
Advocacy	929	999
Other	28	79
	<u>4,741</u>	<u>10,837</u>
Other:		
Administration	1,513	2,003
Fundraising	1,633	1,628
	<u>7,887</u>	<u>14,468</u>
Excess (deficiency) of revenue over expenses before the undernoted	<u>2,913</u>	<u>(2,140)</u>
Investment income:		
Interest, distributions and realized gains on investments	180	607
Change in unrealized gain on investments	4	51
	<u>184</u>	<u>658</u>
Excess (deficiency) of revenue over expenses	<u>\$ 3,097</u>	<u>\$ (1,482)</u>

See accompanying notes to financial statements.

CYSTIC FIBROSIS CANADA

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

Year ended January 31, 2021, with comparative information for 2020

				2021	2020
	Endowment	Internally restricted for research and healthcare (note 9)	Unrestricted	Total	Total
Net assets, beginning of year	\$ 94	\$ -	\$ 8,320	\$ 8,414	\$ 9,896
Excess (deficiency) of revenue over expenses	-	-	3,097	3,097	(1,482)
Transfer between funds	-	2,068	(2,068)	-	-
Net assets, end of year	\$ 94	\$ 2,068	\$ 9,349	\$ 11,511	\$ 8,414

See accompanying notes to financial statements.

CYSTIC FIBROSIS CANADA

Statement of Cash Flows
(In thousands of dollars)

Year ended January 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used) in:		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 3,097	\$ (1,482)
Items not involving cash:		
Amortization of capital assets	14	13
Amortization of long-term deferred contributions	(14)	(13)
Decrease in long-term deferred contributions	(11)	(21)
Interest, distributions and realized gains on investments	(180)	(607)
Change in unrealized gain on investments	(4)	(51)
Change in non-cash operating working capital:		
Receivables and other assets	(1,041)	(155)
Contributions receivable	(10)	–
Accounts payable and accrued liabilities	(425)	60
Deferred revenue	8	(138)
	1,434	(2,394)
Investing activities:		
Net change in investments	161	340
Proceeds on disposal of investments	1,700	2,000
	1,861	2,340
Increase (decrease) in cash and cash equivalents	3,295	(54)
Cash and cash equivalents, beginning of year	1,847	1,901
Cash and cash equivalents, end of year	\$ 5,142	\$ 1,847

See accompanying notes to financial statements.

CYSTIC FIBROSIS CANADA

Notes to Financial Statements
(In thousands of dollars)

Year ended January 31, 2021

Cystic Fibrosis Canada (the "Organization") is a charitable organization incorporated without share capital. The Organization was continued under the Canada Not-for-profit Corporations Act in April 2012. The Organization 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.

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 by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook.

(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. Contributions received from fundraising events that have not been completed are deferred until completion of the event.

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.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue 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 contributions receivable and as deferred contributions until such time as the proceeds are received, at which point, they are recognized as revenue.

CYSTIC FIBROSIS CANADA

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

Year ended January 31, 2021

1. Significant accounting policies (continued):

(b) Cash and cash equivalents:

The Organization considers deposits in banks, guaranteed investment certificates and other short-term investments with maturity expirations within 3 months of the year end as cash and cash equivalents.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has elected to carry all financial investments 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 at the end of the fiscal year if there are indicators of impairment. 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.

(d) Capital assets:

Purchased capital assets are recorded at cost less accumulated amortization and are amortized over the estimated useful lives. Amortization on capital assets acquired during the year is pro-rated based on the number of months in use. Leasehold improvements are amortized over the lease term.

Contributed capital assets, which are recorded at fair market value at the date of the contribution, are recognized as deferred contributions and amortized on a straight-line basis over their estimated useful lives.

CYSTIC FIBROSIS CANADA

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

Year ended January 31, 2021

1. Significant accounting policies (continued):

(e) Government assistance:

The Organization has applied for financial assistance under available government incentive programs. Government assistance related to current expenses is recognized as revenue during the year.

(f) 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 and phone expenses are allocated proportionally on the same basis as payroll.
- (iii) Payroll and rent expense for employees directly related to fundraising events and partnerships are allocated to direct fundraising costs.

(g) 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.

(h) 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)

Year ended January 31, 2021

2. Short-term and long-term investments:

	2021	2020
Canadian fixed income ⁽ⁱ⁾	\$ 848	\$ 1,015
Fixed income pooled funds	4,515	6,025
	<u>\$ 5,363</u>	<u>\$ 7,040</u>

⁽ⁱ⁾ Short-term investments have yields to maturity ranging from 1.93% to 2.45% (2020 - 2.31% to 2.90%) with maturity dates ranging from April 2022 to May 2023 (2020 - April 2021 to April 2022). These fixed income securities consist of guaranteed investment certificates, which are readily convertible to cash.

3. Government assistance:

The Organization applied for the Canadian Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS") and was eligible to receive \$1,435 (2020 - nil) and \$28 (2020 - nil) respectively. The CEWS and CERS were recognized in other revenue. Included in receivables and other assets is \$1,463 (2020 - nil) of government grants receivable from the CEWS and CERS programs.

4. Contributions receivable:

The Organization is the beneficiary under life insurance policy contributions recorded at their present value of \$160 (2020 - \$150).

5. Capital assets:

Capital assets consist of leasehold improvements with a cost of \$138 (2020 - \$138) and accumulated amortization of \$97 (2020 - \$83). Amortization expense for the year is \$14 (2020 - \$13) and is included in administration expenses on the statement of operations. Net book value as at January 31, 2021 is \$41 (2020 - \$55).

CYSTIC FIBROSIS CANADA

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

Year ended January 31, 2021

6. Long-term deferred contributions:

Deferred contributions represent the deferred portion of investments in life insurance contributions, contributions related to future expenses and contributions related to capital assets.

	Balance, January 31, 2020	Additions	Amortization/ reduction	Balance, January 31, 2021
Life insurance (note 4)	\$ 150	\$ 10	\$ –	\$ 160
Deferred rent	85	–	21	64
Capital assets	55	–	14	41
	\$ 290	\$ 10	\$ 35	\$ 265

7. Demand facility:

The Organization has a \$550 revolving demand facility. The revolving demand facility is unsecured and bears interest at the bank's prime interest rate. As at January 31, 2021 and 2020, no amount was drawn against the revolving demand facility.

8. Financial risks:

The Organization's activities expose it to a variety of financial risks: liquidity risk, market risk and interest rate risk. The Organization's overall management program and business practices seek to minimize any potential adverse effect of those risks on the Organization's results of operations. Risk management is carried out by the senior management team under policies approved by the Board of Directors.

(a) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manage its liquidity risk by monitoring its operating requirements. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

CYSTIC FIBROSIS CANADA

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

Year ended January 31, 2021

8. Financial risks (continued):

(b) Market risk:

The Organization's main source of revenue is derived from fundraising activities and is affected by general economic trends. In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. COVID-19 had an impact on the Organization's operating results due to a decline in economic conditions and lockdown measures.

In response to the adverse impact the pandemic has caused to the Organization's revenue streams and corresponding cash flow, the Organization has undertaken certain cost cutting measures. The Organization also received the CEWS and CERS (note 3).

The impact of COVID-19 is expected to negatively impact operations for a duration that cannot be reasonably predicted. The overall operational and financial impact is highly dependent on the duration of COVID-19, including the potential occurrence of additional waves of the pandemic, and could be affected by other factors that are currently not known at this time.

(c) Interest rate risk:

The value of fixed income securities will generally rise if interest rates fall and decrease if interest rates rise.

There has been no change to the risk exposures from 2020 except as noted in note 8(b).

9. Net assets internally restricted for research and healthcare:

Net assets internally restricted for research and healthcare represent the amount of grant commitments approved by the Board of Directors which will be paid in the year ending January 31, 2022 for \$2,068.

CYSTIC FIBROSIS CANADA

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

Year ended January 31, 2021

10. Research and healthcare grants and awards:

Included in research program expenses are research grants and awards in the amount of \$158 (2020 - \$4,052). Included in healthcare program expenses are healthcare incentive grants and awards in the amount of \$260 (2020 - \$1,547).

11. Allocation of expenses:

Total salaries and support expenses of \$6,518 (2020 - \$7,214) have been allocated as follows:

Function	Payroll	Occupancy and other	2021	Total 2020
Research	\$ 390	\$ 87	\$ 477	\$ 528
Healthcare	443	40	483	496
Education/public awareness	1,260	183	1,443	1,652
Advocacy	734	93	827	904
Administration	765	220	985	1,136
Fundraising (direct and other)	1,952	351	2,303	2,498
	\$ 5,544	\$ 974	\$ 6,518	\$ 7,214

12. Commitments:

The Organization has lease commitments for premises used in its operations. These leases expire on or before October 31, 2027.

2022	\$ 678
2023	565
2024	553
2025	105
2026	89
Thereafter	47
	\$ 2,037