

Financial Statements of

**CYSTIC FIBROSIS CANADA**

And Independent Auditors' Report thereon

Year ended January 31, 2020



KPMG LLP  
Vaughan Metropolitan Centre  
100 New Park Place, Suite 1400  
Vaughan ON L4K 0J3  
Canada  
Tel 905-265-5900  
Fax 905-265-6390

## 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, 2020
- 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, 2020, 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, 2020 and January 31, 2019
- chapter revenue and deficiency of revenues over expenses reported in the statements of operations for the years ended January 31, 2020 and January 31, 2019



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- 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, 2020 and January 31, 2019
- the deficiency of revenues over expenses reported in the statements of cash flows for the years ended January 31, 2020 and January 31, 2019.

Our opinion on the financial statements for the year ended January 31, 2019 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.

### **Other Information**

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Annual Report as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

As described in the "**Basis for Qualified Opinion**" section above, we were unable to obtain sufficient appropriate evidence about the completeness of chapter revenues. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.



### ***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.

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.



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- 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.
- 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

March 26, 2020

# CYSTIC FIBROSIS CANADA

Statement of Financial Position  
(In thousands of dollars)

January 31, 2020, with comparative information for 2019

	2020	2019
Current assets:		
Cash and cash equivalents	\$ 1,847	\$ 1,901
Short-term investments (note 2)	1,015	1,310
Receivables and other assets	943	788
	<u>3,805</u>	<u>3,999</u>
Contributions receivable (note 3)	150	150
Long-term investments (note 2)	6,025	7,412
Capital assets (note 4)	55	68
	<u>\$ 10,035</u>	<u>\$ 11,629</u>

## Liabilities and Net Assets

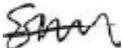
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,012	\$ 952
Deferred revenue	319	457
	<u>1,331</u>	<u>1,409</u>
Long-term deferred contributions (note 5)	290	324
	<u>1,621</u>	<u>1,733</u>
Net assets:		
Endowment	94	94
Internally restricted for research and healthcare (note 7)	–	5,329
Unrestricted	8,320	4,473
	<u>8,414</u>	<u>9,896</u>
Commitments (notes 7 and 10)		
Subsequent event (note 11)		
	<u>\$ 10,035</u>	<u>\$ 11,629</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, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Chapter	\$ 12,179	\$ 12,358
Leadership Gifts and Sponsorship	1,870	1,628
Kin Canada	1,098	1,212
Other	572	432
Royalties	451	341
Bequests	220	1,373
	<u>16,390</u>	<u>17,344</u>
Less direct fundraising costs	<u>4,062</u>	<u>4,619</u>
	<u>12,328</u>	<u>12,725</u>
Expenses:		
Program:		
Research (note 8)	5,494	6,306
Healthcare (note 8)	2,167	2,710
Education/Public awareness	2,098	1,892
Advocacy	999	684
Other	79	106
	<u>10,837</u>	<u>11,698</u>
Other:		
Administration	2,003	3,248
Fundraising	1,628	1,503
	<u>14,468</u>	<u>16,449</u>
Deficiency of revenue over expenses before the undernoted	<u>(2,140)</u>	<u>(3,724)</u>
Investment income:		
Realized gains on investments	607	535
Change in unrealized gain (loss) on investments	51	(507)
	<u>658</u>	<u>28</u>
Deficiency of revenue over expenses	<u>\$ (1,482)</u>	<u>\$ (3,696)</u>

See accompanying notes to financial statements.

# CYSTIC FIBROSIS CANADA

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

Year ended January 31, 2020, with comparative information for 2019

				2020	2019
	Endowment	Internally restricted for research and healthcare (note 7)	Unrestricted	Total	Total
Net assets, beginning of year	\$ 94	\$ 5,329	\$ 4,473	\$ 9,896	\$ 13,592
Deficiency of revenue over expenses	–	–	(1,482)	(1,482)	(3,696)
Transfer between funds	–	(5,329)	5,329	–	–
Net assets, end of year	\$ 94	\$ –	\$ 8,320	\$ 8,414	\$ 9,896

See accompanying notes to financial statements.

# CYSTIC FIBROSIS CANADA

Statement of Cash Flows  
(In thousands of dollars)

Year ended January 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used) in:		
Operating activities:		
Deficiency of revenue over expenses	\$ (1,482)	\$ (3,696)
Items not involving cash:		
Amortization of capital assets	13	13
Amortization of long-term deferred contributions	(13)	(14)
Decrease in long-term deferred contributions	(21)	(21)
Realized gains on investments	(607)	(535)
Change in unrealized loss (gain) on investments	(51)	507
Change in non-cash operating working capital:		
Receivables and other assets	(155)	321
Contributions receivable	–	1
Accounts payable and accrued liabilities	60	(217)
Deferred revenue	(138)	240
	<u>(2,394)</u>	<u>(3,401)</u>
Investing activities:		
Net change in investments	340	(313)
Proceeds on disposal of investments	2,000	3,500
	<u>2,340</u>	<u>3,187</u>
Decrease in cash and cash equivalents	(54)	(214)
Cash and cash equivalents, beginning of year	1,901	2,115
Cash and cash equivalents, end of year	<u>\$ 1,847</u>	<u>\$ 1,901</u>

See accompanying notes to financial statements.

# CYSTIC FIBROSIS CANADA

Notes to Financial Statements  
(In thousands of dollars)

Year ended January 31, 2020

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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, 2020

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## 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, 2020

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## 1. Significant accounting policies (continued):

### (e) 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.

### (f) 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.

### (g) 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. Significant items subject to such estimates and assumptions include allocation of expenses. Actual results could differ from those estimates.

# CYSTIC FIBROSIS CANADA

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

Year ended January 31, 2020

## 2. Short-term and long-term investments:

	2020	2019
Canadian fixed income <sup>(i)</sup>	\$ 1,015	\$ 1,310
Pooled Funds:		
Cash and cash equivalents	–	357
Fixed income	6,025	2,894
Canadian equities	–	1,552
Foreign equities	–	2,609
	6,025	7,412
	\$ 7,040	\$ 8,722

<sup>(i)</sup> Short-term investments have yields to maturity ranging from 2.31% to 2.90% (2019 - 1.55% - 2.90%) with maturity dates ranging from April 2021 to April 2022 (2019 - July 2019 to February 2022). These fixed income securities consist of guaranteed investment certificates, which are readily convertible to cash.

Financial risks are noted below. There has been no change to the risk exposure from 2019.

### (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.

# CYSTIC FIBROSIS CANADA

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

Year ended January 31, 2020

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### 3. Contributions receivable:

The Organization is the beneficiary under life insurance policy contributions recorded at their present value of \$150 (2019 - \$150).

### 4. Capital assets:

Capital assets consist of leasehold improvements with a cost of \$138 (2019 - \$138) and accumulated amortization of \$83 (2019 - \$70). Amortization expense for the year is \$13 (2019 - \$13) and is included in administration expenses on the statement of operations. Net book value as at January 31, 2020 is \$55 (2019 - \$68).

### 5. 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, 2019	Amortization/ reduction	Balance, January 31, 2020
Life insurance (note 3)	\$ 150	\$ –	\$ 150
Deferred rent	106	21	85
Capital assets	68	13	55
	<u>\$ 324</u>	<u>\$ 34</u>	<u>\$ 290</u>

### 6. 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, 2020 and 2019, no amount was drawn against the revolving demand facility.

# CYSTIC FIBROSIS CANADA

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

Year ended January 31, 2020

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## 7. Net assets internally restricted for research and healthcare:

As at January 31, 2019, the net assets internally restricted for research and healthcare represented the amount of grant commitments approved by the Board of Directors to be paid in fiscal 2020. No funds were internally restricted as at January 31, 2020.

## 8. Research and healthcare grants and awards:

Included in research program expenses are research grants and awards in the amount of \$4,052 (2019 - \$5,016). Included in healthcare program expenses are healthcare incentive grants and awards in the amount of \$1,547 (2019 - \$2,049).

## 9. Allocation of expenses:

Total salaries and support expenses of \$7,214 (2019 - \$7,864) have been allocated as follows:

Function	Payroll	Occupancy and other	2020	Total 2019
Research	\$ 437	\$ 91	\$ 528	\$ 570
Healthcare	454	42	496	543
Education/public awareness	1,470	182	1,652	1,356
Advocacy	807	97	904	468
Administration	900	236	1,136	2,155
Fundraising (direct and other)	2,091	407	2,498	2,772
	\$ 6,159	\$ 1,055	\$ 7,214	\$ 7,864

## 10. Commitments:

The Organization has lease commitments for premises used in its operations. These leases expire on or before October 31, 2026.

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2021	\$ 738
2022	711
2023	580
2024	556
2025	108
Thereafter	129

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# CYSTIC FIBROSIS CANADA

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

Year ended January 31, 2020

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## **11. Subsequent event:**

Subsequent to year end, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The COVID-19 pandemic is currently impacting many organizations, as all levels of government are advising individuals to self-isolate or to practice social-distancing. It is currently not known how long or to what extent the pandemic will impact the Organization's operations. Currently, an estimate of the financial effect to the Organization cannot be made as the pandemic's impact is changing daily.

## **12. Comparative information:**

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.