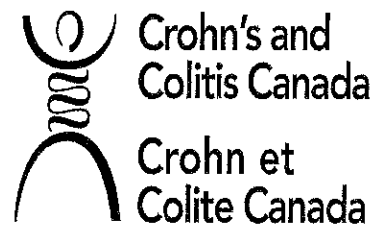




Financial Statements

Crohn's and Colitis Canada

June 30, 2014



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Independent Auditor's Report

To the Members of
Crohn's and Colitis Canada

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We have audited the accompanying financial statements of **Crohn's and Colitis Canada** (Note 1) which comprise the statement of financial position as at June 30, 2014 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 basis for our qualified audit opinion.

Basis for qualified opinion

In common with many charitable organizations, **Crohn's and Colitis Canada** derives revenue from gifts and fundraising events, 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 Crohn's and Colitis Canada and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenses, assets and fund balances. Our audit opinion on the financial statements for the year ended June 30, 2013 was modified accordingly because of the possible effects of this limitation in scope.

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 **Crohn's and Colitis Canada** as at June 30, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Toronto, Ontario
September 20, 2014

Chartered Accountants
Licensed Public Accountants

Crohn's and Colitis Canada

Statement of Financial Position

June 30

2014

2013

Assets

Current

Cash (Note 6)	\$ 1,199,049	\$ 1,541,785
Externally restricted cash (Note 3)	206,172	90,984
Receivables	679,418	617,072
Prepays	<u>150,586</u>	<u>169,219</u>
	<u>2,235,225</u>	<u>2,419,060</u>

Investments (Note 4)

Ross McMaster memorial donation	406,381	386,718
Other	<u>8,083,650</u>	<u>7,715,388</u>
	<u>8,490,031</u>	<u>8,102,106</u>

Property and equipment (Note 5)

	<u>253,058</u>	<u>355,729</u>
	<u>\$ 10,978,314</u>	<u>\$ 10,876,895</u>

Liabilities

Current

Payables and accruals	\$ 698,123	\$ 761,091
Deferred revenue (Note 7)	<u>679,908</u>	<u>309,202</u>
	<u>1,378,031</u>	<u>1,070,293</u>

Deferred revenue - Ross McMaster memorial donation (Note 7)

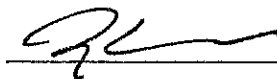
	<u>406,381</u>	<u>393,165</u>
	1,784,412	1,463,458

Fund balances

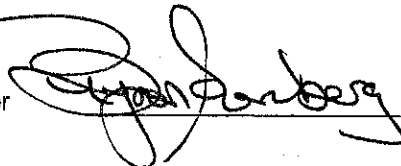
Internally restricted research reserve fund (Note 6)	4,214,761	7,836,880
Internally restricted capital assets	253,058	355,729
Internally restricted operating fund	1,400,000	-
Unrestricted	<u>3,326,083</u>	<u>1,220,828</u>
	<u>9,193,902</u>	<u>9,413,437</u>
	<u>\$ 10,978,314</u>	<u>\$ 10,876,895</u>

Commitments and guarantees (Note 6)

On behalf of the National Board of Directors



Director



Director

See accompanying notes to the financial statements.

Crohn's and Colitis Canada

Statement of Revenue and Expenses

Year ended June 30	2014	2013
Revenue		
Gifts	\$ 7,835,875	\$ 5,289,292
Fundraising event proceeds	5,965,811	6,836,253
Investment income (Note 4)	<u>850,788</u>	<u>528,135</u>
	<u>14,652,474</u>	<u>12,653,680</u>
 Expenses (Schedule 1)		
Program costs	7,567,053	5,283,966
Research	1,383,478	1,101,893
Education/awareness/ advocacy	827,829	<u>868,231</u>
Volunteer/chapter services	<u>9,778,360</u>	<u>7,254,090</u>
 Support costs		
Fundraising expenses	3,651,643	3,793,255
General and administrative	<u>1,442,006</u>	<u>1,863,421</u>
	<u>5,093,649</u>	<u>5,656,676</u>
	<u>14,872,009</u>	<u>12,910,766</u>
 Deficiency of revenue over expenses	<u>\$ (219,535)</u>	<u>\$ (257,086)</u>

See accompanying notes to the financial statements.

Cr John's and Colitis Canada
Statement of Changes in Fund Balances

Year Ended June 30

	2014		2013		
	Internally restricted research reserve fund (Note 6)	Internally restricted capital assets	Internally restricted operating fund	Unrestricted	Total
Fund balances, beginning of year	\$ 7,836,880	\$ 355,729	\$ -	\$ 1,220,828	\$ 9,413,437
Excess (deficiency) of revenue over expenses	-	(104,716)	-	(114,819)	(219,535)
In internally restricted research reserve fund and unrestricted fund balances	(3,622,119)	-	-	3,622,119	-
In internally restricted capital assets fund and unrestricted fund balances	-	2,045	-	(2,045)	-
In internally restricted operating fund and unrestricted fund balances	-	-	1,400,000	(1,400,000)	-
Fund balances, end of year	\$ 4,214,761	\$ 253,058	\$ 1,400,000	\$ 3,326,083	\$ 9,193,902
					\$ 9,413,437

See accompanying notes to the financial statements.

Crohn's and Colitis Canada

Statement of Cash Flows

Year ended June 30

2014

2013

Increase (decrease) in cash		
Operating activities		
Deficiency of revenue over expenses	\$ (219,535)	\$ (257,086)
Depreciation	104,716	103,249
Unrealized gain on investments (Note 4)	(458,541)	(223,960)
Changes in non-cash working capital		
Receivables	(62,346)	25,132
Prepays	18,633	(73,035)
Payables and accruals	(62,968)	(58,522)
Deferred revenue	383,922	(308,738)
	<u>(296,119)</u>	<u>(792,960)</u>
Investing activities		
Purchase of investments	(449,384)	(417,891)
Disposal of investments	520,000	560,000
Acquisition of property and equipment	(2,045)	(76,653)
	<u>68,571</u>	<u>65,456</u>
Financing activity		
Proceeds from bank indebtedness	<u>230,000</u>	<u>-</u>
Increase (decrease) in cash	2,452	(727,504)
Cash, beginning of year	<u>1,632,769</u>	<u>2,360,273</u>
Cash, end of year	<u>\$ 1,635,221</u>	<u>\$ 1,632,769</u>
Cash:		
Unrestricted	\$ 1,429,049	\$ 1,541,785
Externally restricted (Note 3)	<u>206,172</u>	<u>90,984</u>
	1,635,221	1,632,769
Bank indebtedness (Note 6)	<u>(230,000)</u>	<u>-</u>
Net cash	<u>\$ 1,405,221</u>	<u>\$ 1,632,769</u>

See accompanying notes to the financial statements.

Crohn's and Colitis Canada

Notes to the Financial Statements

Year ended June 30, 2014

1. Purpose of the organization

Crohn's and Colitis Canada (the "Organization") is a national not-for-profit organization. Our Promise is to cure Crohn's disease and ulcerative colitis and improve the lives of children and adults affected by these chronic diseases. Crohn's and Colitis Canada was established under the Canada Corporations Act as a not-for-profit organization without share capital.

Crohn's and Colitis Canada is a registered charity within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

During the year, the Organization filed articles of amendment to change its legal name from Crohn's and Colitis Foundation of Canada to Crohn's and Colitis Canada.

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 42 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.

Amounts received related to a future period are deferred until the period in which the event occurs.

Crohn's and Colitis Canada

Notes to the Financial Statements

Year ended June 30, 2014

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. The Organization accounts for the following as financial instruments:

- cash
- receivables
- investments
- bank indebtedness
- accounts payable

Initial measurement

The Organization's financial instruments are measured at fair value when issued or acquired.

Subsequent measurement

At each reporting date, the Organization measures its financial assets (other than investments) and liabilities 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.

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 in the statement of revenue and expenses.

Property and equipment

Purchased property and equipment over \$1,000 is recorded at cost and are being amortized over their estimated useful lives 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.

Research grants and awards

Research grants and awards are recorded in the financial statements when a legal obligation exists, which is normally when the grants and awards are paid.

Crohn's and Colitis Canada

Notes to the Financial Statements

Year ended June 30, 2014

2. Summary of significant accounting policies (continued)

Donated goods and services

A number of individuals and business organizations have donated time, services and goods in kind to the Organization's fundraising efforts. Donated time, services and goods are not recorded in the financial statements as their fair value cannot be reasonably estimated.

Fund balances

The financial statements have been prepared in a manner which segregates the fund balances as follows:

Internally restricted research reserve fund is an internally restricted fund representing the amount required for the Organization to honour future research grants due within twelve months (Note 6). Prior to fiscal 2014, the fund represented 100% of future research grants, irrespective of when due.

Internally restricted capital fund, which was established during the fiscal year, represents the net book value of property and equipment, less any indebtedness thereon.

Internally restricted operating fund, which was established during the fiscal year, is an internally restricted fund representing three months of operating expenses excluding mission spending.

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

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.

3. Externally restricted cash

Externally restricted cash represents \$149,875 (2013 - \$90,984) of gaming revenues earned by the Organization. Use of gaming revenues is restricted for use in the region where the gaming revenues were earned. In addition, there is \$56,297 (2013 - \$Nil) of funding from Helmsley Charitable Trust being held for distribution during fiscal 2015 on a specific research program per donor restriction.

Crohn's and Colitis Canada Notes to the Financial Statements

Year ended June 30, 2014

4. Investments

Investments are stated at fair value and include the investments of the Ross McMaster memorial donation \$406,381 (2013 - \$386,718).

	<u>2014</u>	<u>%</u>	<u>2013</u>	<u>%</u>
Cash	\$ 296,626	4	\$ 419,875	5
Equities				
Canadian	1,129,632	13	964,598	12
United States	925,083	11	996,977	12
International	<u>751,485</u>	<u>9</u>	<u>777,291</u>	<u>10</u>
	2,806,200	33	2,738,866	34
Fixed income (bonds)	<u>5,387,205</u>	<u>63</u>	<u>4,943,365</u>	<u>61</u>
	<u>\$ 8,490,031</u>	<u>100</u>	<u>\$ 8,102,106</u>	<u>100</u>

Bonds have a weighted average term to maturity of 4.7 years and have a weighted interest rate of 2.2%.

Investment income consists of the following:

	<u>2014</u>	<u>2013</u>
Dividend income	\$ 34,902	\$ 36,449
Interest income (including interest on cash balances)	246,440	249,895
Realized gain on sale of investments	110,905	17,831
Unrealized gain on investments	<u>458,541</u>	<u>223,960</u>
	<u>\$ 850,788</u>	<u>\$ 528,135</u>

5. Property and equipment

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>2014 Net Book Value</u>	<u>2013 Net Book Value</u>
Computers and software	\$ 590,796	\$ 491,477	\$ 99,319	\$ 180,428
Furniture and fixtures	130,932	58,431	72,501	82,438
Leasehold improvements	<u>125,310</u>	<u>44,072</u>	<u>81,238</u>	<u>92,863</u>
	<u>\$ 847,038</u>	<u>\$ 593,980</u>	<u>\$ 253,058</u>	<u>\$ 355,729</u>

Crohn's and Colitis Canada

Notes to the Financial Statements

Year ended June 30, 2014

6. Commitments and guarantees

Demand credit facility

The Organization has access to a revolving demand credit facility bearing interest at bank prime plus 0.5% per annum, and a letter of credit/letter of guarantee to a combined maximum of \$1,000,000 (2013 - \$1,000,000). The credit facility is secured by a general security agreement over investments. The facility was drawn upon during the fiscal year and the balance outstanding at June 30, 2014 was \$230,000 (2013 - \$Nil).

The balance outstanding at June 30, 2014 was fully repaid at the date of this report.

Premises and office equipment

The Organization has entered into agreements to lease premises and office equipment for various periods until 2022 for the National and Regional Offices. The Organization is committed to the following rental payments for premises and office equipment:

Fiscal 2015	\$ 139,551
2016	136,807
2017	120,493
2018	125,128
2019 and thereafter	<u>280,235</u>
	<u>\$ 802,214</u>

Research grants

The Organization expenses research grants when paid. Approved research grant commitments are not accrued in the financial statements as a legal obligation does not exist with respect to these amounts. A continuity of future research grant commitments is as follows:

	<u>2014</u>	<u>2013</u>
Research grant commitments, beginning of year	\$ 7,836,880	\$ 8,012,044
Research grants awarded during the year	12,900,284	4,838,818
Research grants withdrawn/reduced during the year	<u>(198,181)</u>	<u>(147,532)</u>
	20,538,983	12,703,330
Research grants paid during the year	<u>(7,145,242)</u>	<u>(4,866,450)</u>
Research grant commitments, end of year	13,393,741	7,836,880
Less: Transfers between internally restricted research reserve fund and unrestricted fund balances (Note 2)	<u>(9,178,980)</u>	<u>-</u>
Research grant commitments due within 12 months	<u>\$ 4,214,761</u>	<u>\$ 7,836,880</u>

Crohn's and Colitis Canada

Notes to the Financial Statements

Year ended June 30, 2014

6. Commitments and guarantees (continued)

Helmsley Charitable Trust

During fiscal 2014, the Organization announced a \$9,830,000 four year funding commitment to Crohn's disease research in Canada, of which U.S. \$5,900,000 is to be provided by a lead gift from Helmsley Charitable Trust. The remaining balance has been guaranteed by Crohn's and Colitis Canada. This funding will support the Genetics, Environmental, Microbial (GEM) Project at Mount Sinai Hospital.

Letters of guarantee

At June 30, 2014, the Organization has outstanding letters of guarantee in the amount of \$26,000 (2013 - \$26,000) that guarantees the Organization's performance or payment to third parties in accordance with specified terms and conditions.

Crohn's and Colitis Canada Notes to the Financial Statements

Year ended June 30, 2014

7. Deferred revenue

	Externally restricted contributions	Unrestricted revenues						
	Ross McMaster memorial donation	Government Grants	GEM Project Sponsorships	IBD - Sponsorships	Galas Tournaments	Golf Partnership	2014 Total	2013 Total
Opening	\$ -	\$ 393,165	\$ 26,426	\$ -	\$ 175,000	\$ 100,276	\$ -	\$ 1,007,003
Add: Received	150,000	39,903	-	2,599,320	442,159	130,658	385,864	482,262
Less: Recognized	-	(26,687)	(17,781)	(2,599,320)	(422,653)	(100,276)	(195,865)	(786,898)
Closing	<u>\$ 150,000</u>	<u>\$ 406,381</u>	<u>\$ 8,645</u>	<u>\$ -</u>	<u>\$ 194,506</u>	<u>\$ 130,658</u>	<u>\$ 189,999</u>	<u>\$ 702,367</u>

The GEM Project balance represents Helmsley funds received and spent during the year.

Crohn's and Colitis Canada

Notes to the Financial Statements

Year ended June 30, 2014

8. 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, 2014:

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.

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.

Market risk

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk, and other price risk.

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 instruments, as disclosed in Note 4.

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 investments are made in foreign currencies, as disclosed in Note 4.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

9. Comparative figures

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2014 financial statements.

Crohn's and Colitis Canada
Schedule 1 – Expense Allocation
 Year ended June 30, 2014

Expense allocation

	Research	Education/ awareness/ advocacy	Volunteer/ chapter services	Fundraising expenses	General and administrative	2014	2013
Direct costs	\$ 7,101,909	\$ 651,825	\$ 32,552	\$ 1,951,570	\$ 63,343	\$ 9,801,199	\$ 7,895,113
Allocated costs							
Salaries and benefits	313,529	592,500	632,355	1,433,289	934,644	3,906,317	3,773,784
General office	122,472	111,751	109,967	185,432	368,796	898,418	995,353
Rent	29,143	27,402	52,955	69,896	63,767	243,163	224,282
Insurance	-	-	-	11,456	11,456	22,912	22,235
Total	\$ 7,567,053	\$ 1,383,478	\$ 827,829	\$ 3,651,643	\$ 1,442,006	\$ 14,872,009	\$ 12,910,767

Crohn's and Colitis Canada

Schedule 1 – Expense Allocation

Year ended June 30, 2014

Expense allocation (continued)

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, depreciation and professional services.

All of these expenses 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.