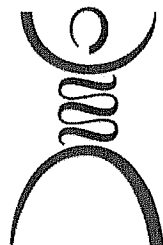




Financial Statements

Crohn's and Colitis Foundation of Canada

June 30, 2012



Crohn's and Colitis
Foundation of Canada

Fondation canadienne des
maladies inflammatoires
de l'intestin

Contents

	Page
Independent Auditor's Report	1 - 2
Statements of Revenue and Expenses	3
Statements of Changes in Fund Balances	4
Statements of Financial Position	5
Statements of Cash Flows	6
Notes to the Financial Statements	7 - 14

Independent Auditor's Report

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To the Members of the
Crohn's and Colitis Foundation of Canada

We have audited the accompanying financial statements of Crohn's and Colitis Foundation of Canada (the "Foundation"), which comprise the statements of financial position as at June 30, 2012, June 30, 2011 and July 1, 2010 and the statements of revenue and expenses, changes in fund balances and cash flows for the years ended June 30, 2012 and June 30, 2011, 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 audits 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, 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 revenues, excess of revenue over expenses, assets and fund balances.

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 Foundation of Canada as at June 30, 2012, June 30, 2011 and July 1, 2010 and the results of its operations and its cash flows for the years ended June 30, 2012 and June 30, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Toronto, Ontario
September 8, 2012

Grant Thornton LLP

Chartered Accountants
Licensed Public Accountants

Crohn's and Colitis Foundation of Canada

Statements of Revenue and Expenses

Year Ended June 30

2012

2011

(Restated
Note 12)

Revenue

Fundraising event proceeds	\$ 6,884,640	\$ 6,681,611
Gifts	5,406,082	5,241,349
Investment income (Note 4)	410,924	707,982
Other	89,239	59,327
	<u>12,790,885</u>	<u>12,690,269</u>

Expenses (Note 5)

Program costs		
Research	5,409,046	5,571,423
Education/awareness	1,265,900	1,048,328
Volunteer/chapter services	912,731	1,102,200
	<u>7,587,677</u>	<u>7,721,951</u>
Support costs		
Fundraising expenses	3,911,004	3,971,199
General and administrative	1,660,764	1,471,536
	<u>5,571,768</u>	<u>5,442,735</u>
	<u>13,159,445</u>	<u>13,164,686</u>
Deficiency of revenue over expenses	\$ <u>(368,560)</u>	\$ <u>(474,417)</u>

See accompanying notes to the financial statements.

Crohn's and Colitis Foundation of Canada
Statements of Changes in Fund Balances

Year Ended June 30

	2012		2011 (Restated Note 12)			Total	
	Endowment Funds	Internally Restricted Research Reserve Fund (Note 9)	Unrestricted	Endowment Funds	Internally Restricted Research Reserve Fund (Note 9)		Unrestricted
Fund balances, beginning of year	\$ 390,163	\$ 8,622,736	\$ 1,419,349	\$ 385,483	\$ 7,568,054	\$ 2,953,128	\$ 10,906,665
Deficiency of revenue over expenses	-	-	(368,560)	-	-	(474,417)	(474,417)
Transfer between Unrestricted Fund and Endowment Funds	(20,000)	-	20,000	(20,000)	-	20,000	-
Net investment income on Endowment Funds	18,930	-	(18,930)	24,680	-	(24,680)	-
Internally Restricted Research Reserve Fund and Unrestricted Fund	-	(610,692)	610,692	-	1,054,682	(1,054,682)	-
Fund balances, end of year	\$ 389,093	\$ 8,012,044	\$ 1,662,551	\$ 390,163	\$ 8,622,736	\$ 1,419,349	\$ 10,432,248

See accompanying notes to the financial statements.

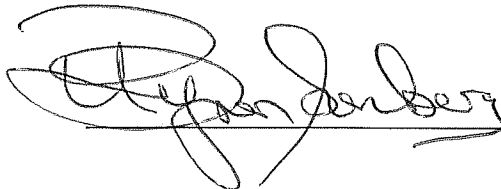
Crohn's and Colitis Foundation of Canada

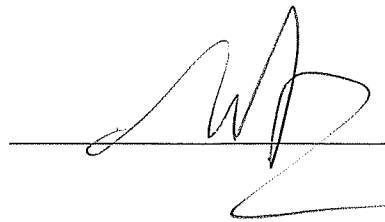
Statements of Financial Position

	June 30, 2012	June 30, 2011	July 1, 2010
Assets			
Current			
Cash and cash equivalents	\$ 1,343,445	\$ 1,421,051	\$ 796,350
Restricted cash (Note 6)	1,016,828	1,392,775	2,292,210
Receivables	642,204	790,941	650,734
Prepays	<u>96,184</u>	<u>94,951</u>	<u>99,003</u>
	<u>3,098,661</u>	<u>3,699,718</u>	<u>3,838,297</u>
Investments (Note 4)			
Endowment	422,882	404,159	379,729
Other	<u>7,597,373</u>	<u>8,189,978</u>	<u>9,230,301</u>
	<u>8,020,255</u>	<u>8,594,137</u>	<u>9,610,030</u>
Property and equipment (Note 7)			
	<u>382,325</u>	<u>416,911</u>	<u>231,085</u>
	<u>\$ 11,501,241</u>	<u>\$ 12,710,766</u>	<u>\$ 13,679,412</u>
Liabilities			
Current			
Payables and accruals	\$ 819,613	\$ 952,647	\$ 593,827
Deferred revenue (Note 8)	<u>617,940</u>	<u>1,325,871</u>	<u>2,178,920</u>
	<u>1,437,553</u>	<u>2,278,518</u>	<u>2,772,747</u>
Funds			
Endowment funds	389,093	390,163	385,483
Internally restricted research reserve fund (Note 9)	8,012,044	8,622,736	7,568,054
Unrestricted	<u>1,662,551</u>	<u>1,419,349</u>	<u>2,953,128</u>
	<u>10,063,688</u>	<u>10,432,248</u>	<u>10,906,665</u>
	<u>\$ 11,501,241</u>	<u>\$ 12,710,766</u>	<u>\$ 13,679,412</u>

Commitments and contingency (Note 9)

On behalf of the National Board of Directors

 Director

 Director

See accompanying notes to the financial statements.

Crohn's and Colitis Foundation of Canada

Statements of Cash Flows

Year Ended June 30

	2012	2011
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(Restated
Note 12)

(Decrease) increase in cash and cash equivalents

Operating activities

Deficiency of revenue over expenses	\$ (368,560)	\$ (474,417)
Depreciation	97,121	73,538
Accrued interest on investments	11,763	31,909
Unrealized gain on investments	(84,497)	(329,714)
Changes in non-cash working capital		
Receivables	148,737	(140,207)
Prepays	(1,233)	4,052
Payables and accruals	(133,034)	358,820
Deferred revenue	(707,931)	(853,049)
	<u>(1,037,634)</u>	<u>(1,329,068)</u>

Investing activities

Acquisition of capital assets	(62,535)	(259,364)
Purchase of investments	(353,384)	(686,302)
Disposal of investments	1,000,000	2,000,000
	<u>584,081</u>	<u>1,054,334</u>

Decrease in cash and cash equivalents	(453,553)	(274,734)
Cash and cash equivalents, beginning of year	<u>2,813,826</u>	<u>3,088,560</u>
Cash and cash equivalents, end of year	\$ <u>2,360,273</u>	\$ <u>2,813,826</u>

Cash and cash equivalents comprise:

Cash	\$ 1,343,445	\$ 1,421,051
Restricted cash	<u>1,016,828</u>	<u>1,392,775</u>
	\$ <u>2,360,273</u>	\$ <u>2,813,826</u>

See accompanying notes to the financial statements.

Crohn's and Colitis Foundation of Canada

Notes to the Financial Statements

Year ended June 30, 2012

1. Purpose of the organization

The Crohn's and Colitis Foundation of Canada (the "Foundation") is a national not-for-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 not-for-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. First-time adoption of Canadian accounting standards for not-for-profit organizations

These financial statements are the first financial statements for which the Foundation has applied Part III of the CICA Handbook – Accounting ("Part III"). Comparative period information presented for the year ended June 30, 2012 was prepared in accordance with Part III and the provisions set out in Section 1501 of Part III *First-time adoption by not-for-profit organizations*.

The date of transition to Part III was July 1, 2010. The Foundation's transition from previous Canadian generally accepted accounting principles ("GAAP") to Part III has had no impact on the statements of changes in fund balances as at July 1, 2010 or the statements of revenue and expenses or the statements of cash flows for the year ended June 30, 2011.

As a result, the reconciliations and disclosures required by Section 1501 *First-time adoption*, for the statements of financial position and statements of changes in fund balances at the transition date, the comparative period net income and the cash flow statement are not necessary and have not been presented in these financial statement notes.

3. Summary of significant accounting policies

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

National and regional operations, Chapters and Chapters in Development/Affiliates

The financial statements include all of the national and regional operations of the Foundation and approximately 80 of its Chapters and Chapters in Development/Affiliates.

Crohn's and Colitis Foundation of Canada

Notes to the Financial Statements

Year ended June 30, 2012

3. Summary of significant accounting policies (continued)

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

Restricted contributions, other than endowment contributions, are deferred until the period in which the related expenses are incurred.

Endowment contributions are recognized as direct increases in net assets.

Financial instruments

The Foundation initially measures its financial assets and liabilities at fair value.

The Foundation subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investments. Changes in fair value are recognized in net income.

The fair value of investments traded in an active market are measured at fair value based on the closing bid price at year end.

Financial liabilities measured at amortized cost include payables and accruals.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balance with banks, net of bank overdrafts, and highly liquid temporary market instruments with original maturities of three months or less.

Impairment

At the end of each reporting period, the Foundation assesses whether there are any indications that financial assets measured at fair value or amortized cost may be impaired. When there is any such indication of impairment, the Foundation determines whether a significant adverse change has occurred in the expected timing or amount of future cash flows from that financial asset. Where this is the case the carrying amount of the assets are reduced to the highest of the expected value that is actually recoverable from the assets, either by holding the assets or by their sale or by exercising the right to any collateral, net of cost. The carrying amounts of the assets are reduced directly or through the use of an allowance account and the amount of the reduction is recognized as an impairment loss in net income.

Crohn's and Colitis Foundation of Canada

Notes to the Financial Statements

Year ended June 30, 2012

3. Summary of significant accounting policies (continued)

Property and equipment

Purchased property and equipment over \$1,000 are recorded at acquisition cost. Donated property and equipment are recorded at fair 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 as formal commitment does not exist until that time.

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 time 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 requiring that the funds be held in perpetuity. Income earned on these funds is to be used to fund research into inflammatory bowel disease.

Internally Restricted Research Reserve Fund is an internally restricted fund representing the amount required for the Foundation to honor its future research grants which are summarized in Note 9. While it is the intention of the Foundation to pay these grants a legal obligation does not exist to make these payments.

Unrestricted Funds represent the excess of revenue over expenses accumulated by the Foundation that are not yet committed for specific research purposes.

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.

Crohn's and Colitis Foundation of Canada

Notes to the Financial Statements

Year ended June 30, 2012

4. Investments

Investments are stated at fair value. These investments include investments that are segregated for the endowment funds of \$422,882 (June 30, 2011 - \$404,159 and July 1, 2010 - \$379,729).

	<u>June 30, 2012</u>	<u>%</u>	<u>June 30, 2011</u>	<u>%</u>	<u>July 1, 2010</u>	<u>%</u>
Cash and cash equivalents	\$ 260,652	3	\$ 427,364	5	\$ 335,116	3
Equities						
Canadian	943,375	12	1,044,194	12	968,262	10
U.S.	987,817	12	934,921	11	946,897	10
International	746,423	9	790,677	9	966,960	10
	<u>2,677,615</u>	<u>33</u>	<u>2,769,792</u>	<u>32</u>	<u>2,882,119</u>	<u>30</u>
Fixed Income (Bonds)	5,081,988	64	5,396,981	63	6,392,795	67
	<u>\$ 8,020,255</u>	<u>100</u>	<u>\$ 8,594,137</u>	<u>100</u>	<u>\$ 9,610,030</u>	<u>100</u>

Bonds have a weighted average term to maturity of 4.8 years and have a weighted interest rate of 2.6%. The investment income consists of the following:

	<u>2012</u>	<u>2011</u>
Dividend income	\$ 34,092	\$ 61,487
Interest income (including interest on cash balance)	279,894	328,556
Realized gain (loss) on sale of investments	12,441	(11,775)
Unrealized gain on investments	84,497	329,714
	<u>\$ 410,924</u>	<u>\$ 707,982</u>

5. Expense allocation

	<u>Research</u>	<u>Education</u>	<u>Volunteer/ Chapter</u>	<u>Fundraising</u>	<u>General and administrative</u>	<u>2012</u>	<u>2011</u>
Direct Costs	\$ 4,994,499	\$ 732,242	\$ 203,033	\$ 2,346,927	\$ 123,566	\$ 8,400,267	\$ 8,789,493
Allocated costs							
Salaries and benefits	255,827	416,011	560,229	1,271,530	1,058,820	3,562,417	3,180,177
Staff development and conferences	7,419	12,065	16,247	36,876	30,707	103,314	131,574
Rent	25,398	24,423	46,045	59,305	54,486	209,657	213,150
Depreciation	6,993	11,363	15,248	34,672	28,845	97,121	73,538
Equipment and Technology	6,357	10,337	13,921	31,596	26,310	88,521	81,392
Publications	16,056	30,995	13,110	28,058	3,418	91,637	103,640
General office	10,520	17,108	23,038	52,289	43,542	146,497	167,657
Insurance	-	-	-	10,809	10,809	21,618	20,940
Professional services	-	-	-	-	201,839	201,839	170,541
Board of Director expenses	-	-	-	-	49,075	49,075	45,980
Travel	4,801	11,356	21,860	38,942	29,347	106,306	95,608
IBD Research Institute	81,176	-	-	-	-	81,176	90,996
Total	<u>\$ 5,409,046</u>	<u>\$ 1,265,900</u>	<u>\$ 912,731</u>	<u>\$ 3,911,004</u>	<u>\$ 1,660,764</u>	<u>\$ 13,159,445</u>	<u>\$ 13,164,686</u>

Crohn's and Colitis Foundation of Canada

Notes to the Financial Statements

Year ended June 30, 2012

5. Expense allocation (continued)

Allocation method:

Salaries and benefits

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

Staff development and conferences, general office, depreciation and equipment and technology

Allocated based on the overall salary allocation for the Foundation's staff. All of these expenditures are incurred to carry out job functions and further expertise in job performance which is related to the allocation of time and effort spent on different program and functional areas.

Rent

Allocated based on square footage and related departmental salary allocations.

Publications

Allocated based on the content and audience of the publications.

Insurance

Allocated based on an even split 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

Allocated based on type of charges incurred.

Board of Director expenses

Allocated to administration as the costs related to Board function are due to meetings and travel.

Travel

Allocated based on salary allocation for the departments that incurred the travel costs as travel is related to job function.

IBD Research Institute

Allocated to research as the IBD Research Institute expenses are incurred to run the Foundation's research program.

6. Restricted cash

Restricted cash represents \$487,700 in gaming revenues earned by the Foundation as well as \$529,128 in proceeds of a major gift being held for distribution during fiscal 2012 on a specific research program per donor restrictions. Use of gaming revenues by the Foundation are restricted by the local authorities for use in the area where the gaming revenues were earned.

Crohn's and Colitis Foundation of Canada

Notes to the Financial Statements

Year ended June 30, 2012

7. Property and equipment

	June 30, 2012		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Computers and software	\$ 577,220	\$ 327,832	\$ 249,388
Furniture and fixtures	101,922	34,871	67,051
Leasehold improvements	<u>89,197</u>	<u>23,311</u>	<u>65,886</u>
	<u>\$ 768,339</u>	<u>\$ 386,014</u>	<u>\$ 382,325</u>
	June 30, 2011		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Computers and software	\$ 526,274	\$ 247,437	\$ 278,837
Furniture and fixtures	101,922	24,642	77,280
Leasehold improvements	<u>77,609</u>	<u>16,815</u>	<u>60,794</u>
	<u>\$ 705,805</u>	<u>\$ 288,894</u>	<u>\$ 416,911</u>
	July 1, 2010		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Computers and software	\$ 361,840	\$ 185,374	\$ 176,466
Furniture and fixtures	54,914	16,761	38,153
Leasehold improvements	<u>29,687</u>	<u>13,221</u>	<u>16,466</u>
	<u>\$ 446,441</u>	<u>\$ 215,356</u>	<u>\$ 231,085</u>

8. Deferred revenue

Deferred revenue includes \$500,000 received for Major Gifts to fund a specific research program for which the specific requirements have not been met. Therefore amount has not been forwarded to the program at June 30, 2012. In addition, funds received for events subsequent to June 30, 2012 include \$15,000 for the IBD conference, \$89,170 for golf tournaments, \$6,478 for other events and \$7,292 of government grants that have not been expended according to the requirement of the funding.

Crohn's and Colitis Foundation of Canada

Notes to the Financial Statements

Year ended June 30, 2012

9. Commitments and contingency

Commitments

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

Fiscal 2013	\$ 106,765
2014	104,346
2015	103,854
2016	110,721
2017	114,007
2018 and thereafter	<u>396,806</u>
	\$ <u>936,499</u>

Research grants

The Foundation expenses research grants when paid. Approved research grants for future years are not accrued in the financial statements because a legal obligation does not exist. A continuity of such Board approved research grant commitments is as follows:

	<u>June 30,</u> <u>2012</u>	June 30, <u>2011</u>	July 1, <u>2010</u>
Research grant commitment, beginning of year	\$ 8,622,736	\$ 7,568,054	\$ 8,041,613
Research grants awarded during the year	4,648,571	6,414,469	4,683,008
Research grants withdrawn/reduced during the year	<u>(226,094)</u>	<u>(163,829)</u>	<u>-</u>
	<u>13,045,213</u>	13,818,694	12,724,621
Research grants paid during the year	<u>(5,033,169)</u>	<u>(5,195,958)</u>	<u>(5,156,567)</u>
Research grant commitment, end of year	\$ <u>8,012,044</u>	\$ <u>8,622,736</u>	\$ <u>7,568,054</u>

Letters of credit

At June 30, 2012, the Foundation has outstanding letters of credit in the amount of \$26,000 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.

Crohn's and Colitis Foundation of Canada

Notes to the Financial Statements

Year ended June 30, 2012

10. Financial instruments risk

The Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Foundation's risk exposures and concentrations at June 30, 2012:

Credit risk

Exposure to credit risk relating to financial assets arises from the potential for non-performance by counterparties of contract obligations which could lead to a financial loss to the Foundation.

Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting the obligations associated with its financial liabilities. The Foundation 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.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The primary objective of the Foundation with respect to its fixed income investments is to ensure the security of principal amounts invested and achieve a satisfaction investment return.

The Foundation manages the interest rate risk exposure by varying the terms to maturity on its investments. The range of maturities reduces the overall sensitivity to interest rate changes.

11. 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.

12. Comparative figures

Comparative figures have been adjusted to conform to changes in the current year presentation.

Investment income earned on endowment funds was previously recorded as a direct increase to the Endowment Funds' fund balance instead of investment income in the statements of revenue and expenses. The current year financial statements have been adjusted to reflect both the current and prior year amount as investment income in the statement of revenue and expenses.