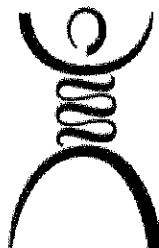




Financial Statements

**Crohn's and Colitis Foundation of Canada**

June 30, 2013



Crohn's and Colitis  
Foundation of Canada

Fondation canadienne des  
maladies inflammatoires  
de l'intestin

# Contents

	<b>Page</b>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Revenue and Expenses	4
Statement of Changes in Fund Balances	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 13
Schedule 1 – Expense Allocation	14 - 15



# Independent Auditor's Report

Grant Thornton LLP  
19th Floor, Royal Bank Plaza South Tower  
200 Bay Street, Box 55  
Toronto, ON  
M5J 2P9  
T +1 416 366 0100  
F +1 416 360 4949  
E Toronto@ca.gt.com  
www.GrantThornton.ca

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

We have audited the accompanying financial statements of **Crohn's and Colitis Foundation of Canada** which comprise the statement of financial position as at June 30, 2013 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 Foundation of Canada** derives revenue from donations, memberships and promotional events (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, 2013 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.

*Grant Thornton LLP*

Toronto, Ontario  
September 21, 2013

Chartered Accountants  
Licensed Public Accountants

# Crohn's and Colitis Foundation of Canada

## Statement of Financial Position

June 30 2013 2012

**Assets**

Current

Cash	\$ 1,541,785	\$ 1,719,255
Restricted cash (Note 3)	90,984	641,018
Receivables	617,072	642,204
Prepays	<u>169,219</u>	<u>96,184</u>
	<u>2,419,060</u>	<u>3,098,661</u>

Investments (Note 4)

Ross McMaster memorial fund	386,718	422,882
Other	<u>7,715,388</u>	<u>7,597,373</u>
	<u>8,102,106</u>	<u>8,020,255</u>

Property and equipment (Note 5)

	<u>355,729</u>	<u>382,325</u>
	<u>\$ 10,876,895</u>	<u>\$ 11,501,241</u>

**Liabilities**

Current

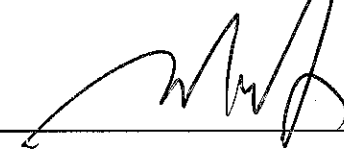
Payables and accruals	\$ 761,091	\$ 819,613
Deferred revenue (Note 6)	<u>309,202</u>	<u>617,940</u>
	<u>1,070,293</u>	<u>1,437,553</u>


**Fund balances**

Ross McMaster memorial fund	393,165	389,093
Internally restricted research reserve fund (Note 7)	7,836,880	8,012,044
Unrestricted	<u>1,576,557</u>	<u>1,662,551</u>
	<u>9,806,602</u>	<u>10,063,688</u>
	<u>\$ 10,876,895</u>	<u>\$ 11,501,241</u>

Commitments and contingency (Note 7)

On behalf of the National Board of Directors

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

---

## Crohn's and Colitis Foundation of Canada Statement of Revenue and Expenses

Year Ended June 30

2013

2012

---

### Revenue

Fundraising event proceeds	\$ 6,793,968	\$ 6,884,640
Gifts	5,289,292	5,406,082
Investment income (Note 4)	528,135	410,924
Other	<u>42,285</u>	<u>89,239</u>
	<u>12,653,680</u>	<u>12,790,885</u>

### Expenses (Schedule 1)

Program costs		
Research	5,283,966	5,409,046
Education/awareness	1,101,893	1,265,900
Volunteer/chapter services	<u>868,231</u>	<u>912,731</u>
	<u>7,254,090</u>	<u>7,587,677</u>
Support costs		
Fundraising expenses	3,793,255	3,911,004
General and administrative	<u>1,863,421</u>	<u>1,660,764</u>
	<u>5,656,676</u>	<u>5,571,768</u>
	<u>12,910,766</u>	<u>13,159,445</u>

Deficiency of revenue over expenses	\$ <u>(257,086)</u>	\$ <u>(368,560)</u>
-------------------------------------	---------------------	---------------------

---

## Crohn's and Colitis Foundation of Canada

### Statement of Changes in Fund Balances

Year Ended June 30

	2013				2012		
	Ross McMaster memorial fund	Internally restricted research reserve fund (Note 7)	Unrestricted	Total	Internally restricted research reserve fund (Note 7)	Unrestricted	Total
Fund balances, beginning of year	\$ 389,093	\$ 8,012,044	\$ 1,662,551	\$ 10,063,688	\$ 390,163	\$ 8,622,736	\$ 10,432,248
Excess (deficiency) of revenue over expenses	24,072	-	(281,158)	(257,086)	18,930	-	(368,560)
Transfer between							
Unrestricted fund and externally restricted fund	(20,000)	-	20,000	-	(20,000)	-	-
Internally restricted research reserve fund and unrestricted fund	-	(175,164)	175,164	-	-	(610,692)	-
Fund balances, end of year	\$ 393,165	\$ 7,836,880	\$ 1,576,557	\$ 9,806,602	\$ 389,093	\$ 8,012,044	\$ 10,063,688

See accompanying notes and schedule to the financial statements.

# Crohn's and Colitis Foundation of Canada

## Statement of Cash Flows

Year Ended June 30

2013

2012

Increase (decrease) in cash

### Operating activities

(Deficiency) of revenue over expenses	\$ (257,086)	\$ (368,560)
Depreciation	103,249	97,121
Accrued interest on investments	-	11,763
Unrealized (gain) loss on investments	(223,960)	(84,497)
Changes in non-cash working capital		
Receivables	25,132	148,737
Prepays	(73,035)	(1,233)
Payables and accruals	(58,522)	(133,034)
Deferred revenue	<u>(308,738)</u>	<u>(707,931)</u>
	<u>(792,960)</u>	<u>(1,037,634)</u>

### Investing activities

Acquisition of property and equipment	(76,653)	(62,535)
Purchase of investments	(417,891)	(353,384)
Disposal of investments	<u>560,000</u>	<u>1,000,000</u>
	<u>65,456</u>	<u>584,081</u>

Decrease in cash (727,504) (453,553)

Cash, beginning of year 2,360,273 2,813,826

Cash, end of year \$ 1,632,769 \$ 2,360,273

Cash:

Unrestricted	\$ 1,541,785	\$ 1,719,255
Restricted (Note 3)	<u>90,984</u>	<u>641,018</u>
	\$ <u>1,632,769</u>	\$ <u>2,360,273</u>



---

# **Crohn's and Colitis Foundation of Canada**

## **Notes to the Financial Statements**

Year ended June 30, 2013

---

### **1. Purpose of the organization**

Crohn's and Colitis Foundation of Canada (the "Foundation") 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. The Foundation was established under the Canada Corporations Act as a not-for-profit organization without share capital.

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. 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, Chapters and Chapters in Development/Affiliates**

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

#### **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.

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

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

#### **Financial instruments**

The Foundation's financial instruments comprise cash, receivables, investments and accounts payable.

Financial assets and financial liabilities are initially recognized at their fair value.

The Foundation subsequently measures all of its financial assets and financial liabilities at amortized cost with the exception of investments, which are subsequently measured 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.

---

# Crohn's and Colitis Foundation of Canada

## Notes to the Financial Statements

Year ended June 30, 2013

---

### 2. Summary of significant accounting policies (continued)

#### Property and equipment

Purchased property and equipment over \$1,000 are recorded at cost. Computers and software are 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 a legal obligation 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 efforts. Donated time, services and goods 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:

**Ross McMaster memorial fund** is to be used to fund research into inflammatory bowel disease, in accordance with donor stipulations.

**Internally restricted research reserve fund** is an internally restricted fund representing the amount required for the Foundation to honour its future research grants which are summarized in Note 7. While it is the intention of the Foundation to honour these grants, a legal obligation does not exist to do so.

**Unrestricted fund** represents 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, 2013

### 3. Restricted cash

Restricted cash represents \$90,984 (2012 - \$641,018) in gaming revenues earned by the Foundation. Use of gaming revenues by the Foundation is restricted by the local authorities for use in the area where the gaming revenues were earned. During fiscal 2012 there was \$529,128 in proceeds of a major gift being held for distribution during fiscal 2013 on a specific research program per donor restrictions.

### 4. Investments

Investments are stated at fair value. These investments include the investments of the Ross McMaster memorial fund \$386,718 (2012 - \$422,882).

	<u>2013</u>	<u>%</u>	<u>2012</u>	<u>%</u>
Cash	\$ 419,875	5	\$ 260,652	3
Equities				
Canadian	964,598	12	943,375	12
United States	996,977	12	987,817	12
International	<u>777,291</u>	10	<u>746,423</u>	9
	<u>2,738,866</u>	34	<u>2,677,615</u>	33
Fixed income (bonds)	<u>4,943,365</u>	61	<u>5,081,988</u>	64
	<u>\$ 8,102,106</u>	100	<u>\$ 8,020,255</u>	100

Bonds have a weighted average term to maturity of 4.8 years and have a weighted interest rate of 2.5%. Investment income consists of the following:

	<u>2013</u>	<u>2012</u>
Dividend income	\$ 36,449	\$ 34,092
Interest income (including interest on cash balances)	249,895	279,894
Realized gain on sale of investments	17,831	12,441
Unrealized gain on investments	<u>223,960</u>	<u>84,497</u>
	<u>\$ 528,135</u>	<u>\$ 410,924</u>

### 5. Property and equipment

	<u>2013</u>	<u>2012</u>
	<u>Net</u>	<u>Net</u>
	<u>Book Value</u>	<u>Book Value</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>
Computers and software	\$ 590,796	\$ 410,368
Furniture and fixtures	128,887	46,449
Leasehold improvements	<u>125,310</u>	<u>32,447</u>
	<u>\$ 844,993</u>	<u>\$ 489,264</u>
	<u>\$ 180,428</u>	<u>\$ 249,388</u>
	<u>82,438</u>	<u>67,051</u>
	<u>92,863</u>	<u>65,886</u>
	<u>\$ 355,729</u>	<u>\$ 382,325</u>

**Crohn's and Colitis Foundation of Canada**  
**Notes to the Financial Statements**

Year ended June 30, 2013

**6. Deferred revenue**

	Externally restricted contributions		Unrestricted revenues				2013 Total	2012 Total
	Major Gift - Research	Government Grants	IBD - Sponsorships	Galas	Tournaments	Golf		
Opening	\$ 500,012	\$ 11,348	\$ 15,000	\$ -	\$ 89,170	\$ 2,410	\$ 617,940	\$ 1,325,871
Add: Received	-	195,384	175,000	7,500	100,276	-	478,160	86,999
Less: Recognized	(500,012)	(180,306)	(15,000)	-	(89,170)	(2,410)	(786,898)	(794,930)
Closing	\$ -	\$ 26,426	\$ 175,000	\$ 7,500	\$ 100,276	\$ -	\$ 309,202	\$ 617,940

# Crohn's and Colitis Foundation of Canada

## Notes to the Financial Statements

Year ended June 30, 2013

### 7. 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 2014	\$	134,365
2015		138,407
2016		135,664
2017		119,349
2018 and thereafter		<u>280,542</u>
	\$	<u>808,327</u>

#### Research grants

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

	<u>2013</u>	<u>2012</u>
Research grant commitments, beginning of year	\$ 8,012,044	\$ 8,622,736
Research grants awarded during the year	4,838,818	4,648,571
Research grants withdrawn/reduced during the year	<u>(147,532)</u>	<u>(226,094)</u>
	12,703,330	13,045,213
Research grants paid during the year	<u>(4,866,450)</u>	<u>(5,033,169)</u>
Research grant commitments, end of year	\$ <u>7,836,880</u>	\$ <u>8,012,044</u>

#### Letters of credit

At June 30, 2013, 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.

#### Demand credit facility

The Foundation has access to a revolving demand credit facility bearing interest at bank prime rate plus 0.5% per annum, and a letter of credit/letter of guarantee to a combined maximum of \$1,000,000 (2012 - \$500,000). The credit facility is secured by a general security agreement over investments. The facility was not drawn upon during the year.

---

# Crohn's and Colitis Foundation of Canada

## Notes to the Financial Statements

Year ended June 30, 2013

---

### 8. Financial instrument 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, 2013:

#### **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 Foundation. The Foundation's credit risk relates to its accounts receivable. In the opinion of management, the credit risk exposure to the Foundation is not significant due to the nature of its accounts receivable.

#### **Liquidity risk**

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting its obligations. 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.

#### **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 Foundation 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 Foundation is subject to currency risk to the extent that investments are made in foreign currencies, as disclosed in note 4, as the value of these investments are affected by exchange rate fluctuations.

#### 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. The Foundation is not subject to other price risks.

---

# **Crohn's and Colitis Foundation of Canada**

## **Notes to the Financial Statements**

Year ended June 30, 2013

---

### **9. Comparative figures**

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2013 financial statements.

# Crohn's and Colitis Foundation of Canada

## Schedule 1 – Expense Allocation

Year ended June 30, 2013

### Expense allocation

	Research	Education	Volunteer/ Chapter	Fundraising	General and Administrative	2013	2012
Direct costs	\$ 4,846,260	\$ 530,846	\$ 121,917	\$ 2,278,960	\$ 117,130	\$ 7,895,113	\$ 8,400,267
Allocated costs	290,056	462,725	600,203	1,272,983	1,147,817	3,773,784	3,562,417
Salaries and benefits	6,319	10,080	13,075	27,731	25,005	82,210	103,314
Staff development and conferences	12,100	19,305	25,040	53,105	47,885	157,435	146,497
General office	7,936	12,660	16,421	34,828	31,404	103,249	97,121
Depreciation	7,085	11,302	14,660	31,094	28,036	92,177	88,521
Equipment and technology	27,260	25,767	49,097	63,585	58,574	224,283	209,657
Rent	10,140	16,856	6,103	15,244	4,772	53,115	91,637
Publications	-	-	-	11,118	11,118	22,236	21,618
Insurance	-	-	-	-	248,208	248,208	201,839
Professional services	-	-	-	-	60,073	60,073	-
Human resource costs	-	-	-	-	57,767	57,767	49,075
Board of Director expenses	37,507	12,352	21,715	4,607	25,632	101,813	106,306
Travel	39,303	-	-	-	-	39,303	81,176
IBD Research Institute	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 5,283,966</b>	<b>\$ 1,101,893</b>	<b>\$ 868,231</b>	<b>\$ 3,793,255</b>	<b>\$ 1,863,421</b>	<b>\$ 12,910,766</b>	<b>\$ 13,159,445</b>



---

# Crohn's and Colitis Foundation of Canada

## Schedule 1 – Expense Allocation

Year ended June 30, 2013

---

### 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 are 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.

##### Human resource costs

Allocated to administration, as the costs related to human resources include outplacement costs, recruitment costs and costs for background checks.

##### Board of Director expenses

Allocated to administration as the costs related to Board functions 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.