

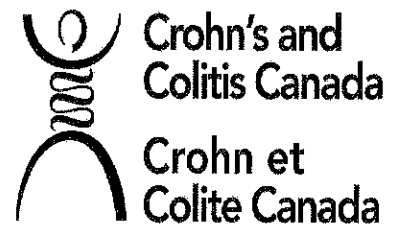


Grant Thornton

Financial Statements

Crohn's and Colitis Canada

June 30, 2015



Crohn's and  
Colitis Canada

Crohn et  
Colite Canada



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# Independent Auditor's Report

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To the Members of  
Crohn's and Colitis Canada

We have audited the accompanying financial statements of Crohn's and Colitis Canada which comprise the statement of financial position as at June 30, 2015 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.

# Crohn's and Colitis Canada

## Statement of Financial Position

June 30

2015

2014

### Assets

#### Current

Cash (Note 6)	\$ 1,158,563	\$ 1,255,346
Externally restricted cash (Note 3)	118,420	149,875
Receivables	849,861	679,418
Prepays	<u>87,469</u>	<u>150,586</u>

2,214,313      2,235,225

#### Investments (Note 4)

Ross McMaster memorial donation	433,329	406,381
Portfolio	<u>7,638,357</u>	<u>8,083,650</u>

8,071,686      8,490,031

#### Property and equipment (Note 5)

170,096      253,058

\$ 10,456,095      \$ 10,978,314

### Liabilities

#### Current

Payables and accruals	\$ 757,312	\$ 698,123
Deferred revenue (Note 7)	<u>547,716</u>	<u>679,908</u>

1,305,028      1,378,031

#### Deferred revenue - Ross McMaster memorial donation (Note 7)

433,329      406,381

1,738,357      1,784,412

### Fund balances

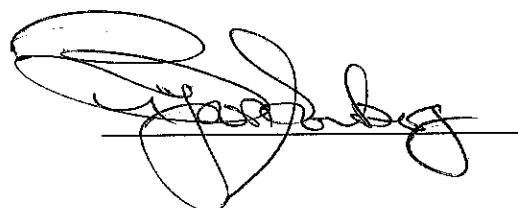
Internally restricted research reserve fund (Note 6)	4,244,412	4,214,761
Internally restricted property and equipment	170,096	253,058
Internally restricted operating fund	1,450,000	1,400,000
Unrestricted	<u>2,853,230</u>	<u>3,326,083</u>


8,717,738      9,193,902

\$ 10,456,095      \$ 10,978,314

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

2015

2014

Revenue		
Gifts	\$ 6,291,033	\$ 7,835,875
Fundraising event proceeds	7,450,505	5,965,811
Investment income (Note 4)	<u>589,128</u>	<u>850,788</u>
	<u>14,330,666</u>	<u>14,652,474</u>
Expenses (Schedule 1)		
Program costs		
Research	6,002,125	7,567,053
Education/awareness/ advocacy	1,995,426	1,383,478
Volunteer/chapter services	<u>861,496</u>	<u>827,829</u>
	<u>8,859,047</u>	<u>9,778,360</u>
Support costs		
Fundraising expenses	4,365,445	3,651,643
General and administrative	<u>1,625,754</u>	<u>1,518,411</u>
	<u>5,991,199</u>	<u>5,170,054</u>
Total expenses before undernoted item	<u>14,850,246</u>	<u>14,948,414</u>
Foreign exchange gain	<u>43,416</u>	<u>76,405</u>
Deficiency of revenue over expenses	<u>\$ (476,164)</u>	<u>\$ (219,535)</u>

See accompanying notes to the financial statements.

## Crohn's and Colitis Canada Statement of Changes in Fund Balances

Year ended June 30

	2015				2014
	Internally restricted research reserve fund (Note 6)	Internally restricted property and equipment	Internally restricted operating fund	Unrestricted	Total
Fund balances, beginning of year	\$ 4,214,761	\$ 253,058	\$ 1,400,000	\$ 3,326,083	\$ 9,413,437
Deficiency of revenue over expenses	-	(86,808)	-	(389,356)	(219,535)
Internally restricted research reserve fund and unrestricted fund balances	29,651	-	-	(29,651)	-
Internally restricted property and equipment fund and unrestricted fund balances	-	3,846	-	(3,846)	-
Internally restricted operating fund and unrestricted fund balances	-	-	50,000	(50,000)	-
<b>Fund balances, end of year</b>	<b>\$ 4,244,412</b>	<b>\$ 170,096</b>	<b>\$ 1,450,000</b>	<b>\$ 2,853,230</b>	<b>\$ 8,717,738</b>
				<b>\$ 9,193,902</b>	<b>\$ 9,193,902</b>

See accompanying notes to the financial statements.

# Crohn's and Colitis Canada

## Statement of Cash Flows

Year ended June 30

2015

2014

Increase (decrease) in cash

### Operating activities

Deficiency of revenue over expenses	\$ (476,164)	\$ (219,535)
Depreciation	86,808	104,716
Unrealized gain on investments (Note 4)	(112,492)	(458,541)
Changes in non-cash working capital		
Receivables	(170,443)	(62,346)
Prepays	63,117	18,633
Payables and accruals	59,189	(62,968)
Deferred revenue	<u>(105,244)</u>	<u>383,922</u>
	<b>(655,229)</b>	<b>(296,119)</b>

### Investing activities

Investment activity (net)	(969,163)	(449,384)
Proceeds from disposal of investments	1,500,000	520,000
Acquisition of property and equipment	<u>(3,846)</u>	<u>(2,045)</u>
	<b>526,991</b>	<b>68,571</b>

### Financing activity

(Repayment of) proceeds from bank indebtedness	<u>(230,000)</u>	<u>230,000</u>
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Decrease (increase) in cash

**(358,238)**      2,452

Cash, beginning of year

1,635,221      1,632,769

Cash, end of year

\$ 1,276,983      \$ 1,635,221

Cash:

Unrestricted	\$ 1,158,563	\$ 1,485,346
Externally restricted (Note 3)	<u>118,420</u>	<u>149,875</u>
	<b>1,276,983</b>	<b>1,635,221</b>

Bank indebtedness (Note 6)

-      (230,000)

Net cash

\$ 1,276,983      \$ 1,405,221



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# Crohn's and Colitis Canada

## Notes to the Financial Statements

June 30, 2015

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### 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
- foreign currency forward contracts
- bank indebtedness
- payables

#### *Initial measurement*

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

#### *Subsequent measurement*

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 as investment income in the statement of revenue and expenses.

Foreign currency forward contracts are recorded at fair value at year end with any changes in fair value recorded in the statement of revenue and expenses as part of the foreign exchange gain.

All other financial assets and liabilities are recorded at amortized cost at year end, less any impairment allowance in the case of financial assets. Any impairment loss is recognized in the statement of revenue and expenses.

#### Property and equipment

Purchased property and equipment over \$1,000 is recorded at cost and is amortized over its estimated useful life 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.

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# Crohn's and Colitis Canada

## Notes to the Financial Statements

June 30, 2015

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### 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).

**Internally restricted property and equipment**, is an internally restricted fund representing the net book value of property and equipment, less any indebtedness thereon.

**Internally restricted operating fund**, is an internally restricted fund representing three months of operating expenses excluding mission spending.

**Unrestricted fund**, represents the excess of revenue over expenses accumulated by the Organization that is 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.

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### 3. Externally restricted cash

Externally restricted cash comprises \$118,420 (2014 - \$149,875) of gaming revenues earned by the Organization. Use of gaming revenues is restricted for use in the region where the gaming revenues were earned.

# Crohn's and Colitis Canada

## Notes to the Financial Statements

June 30, 2015

### 4. Investments

Investments are stated at fair value and include the investments of the Ross McMaster memorial donation in the amount of \$433,329 (2014 - \$406,381).

	<u>2015</u>	<u>%</u>	<u>2014</u>	<u>%</u>
Cash	\$ 256,719	3	\$ 296,626	4
Guaranteed investment certificate	340,000	4	-	-
Equities				
Canadian	975,312	12	1,129,632	13
United States	867,496	11	925,083	11
International	<u>739,681</u>	<u>9</u>	<u>751,485</u>	<u>9</u>
	3,179,208	39	3,102,826	37
Fixed income (bonds)	<u>4,892,478</u>	<u>61</u>	<u>5,387,205</u>	<u>63</u>
	<u>\$ 8,071,686</u>	<u>100</u>	<u>\$ 8,490,031</u>	<u>100</u>

Bonds have a weighted average term to maturity of 4.29 years and have a weighted interest rate of 1.74%.

Investments include a guaranteed investment certificate of \$340,000 (2014 - \$Nil), bearing interest at 0.78% and maturing June 2016. This guaranteed investment certificate is held as security for the Organization's foreign exchange contract with the Royal Bank of Canada.

Investment income consists of the following:

	<u>2015</u>	<u>2014</u>
Dividend income	\$ 35,838	\$ 34,902
Interest income (including interest on cash balances)	234,711	246,440
Realized gain on sale of investments	206,087	110,905
Unrealized gain on investments	<u>112,492</u>	<u>458,541</u>
	<u>\$ 589,128</u>	<u>\$ 850,788</u>

# Crohn's and Colitis Canada

## Notes to the Financial Statements

June 30, 2015

### 5. Property and equipment

			<u>2015</u>	<u>2014</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computers and software	\$ 594,642	\$ 554,480	\$ 40,162	\$ 99,319
Furniture and fixtures	130,931	71,030	59,901	72,501
Leasehold improvements	<u>125,310</u>	<u>55,277</u>	<u>70,033</u>	<u>81,238</u>
	<u>\$ 850,883</u>	<u>\$ 680,787</u>	<u>\$ 170,096</u>	<u>\$ 253,058</u>

### 6. Commitments and guarantees

#### Demand credit facilities

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 (2014 - \$1,000,000). The credit facility is secured by a general security agreement over investments. The facility was repaid during the fiscal year such that the balance outstanding at June 30, 2015 was \$Nil (2014 - \$230,000).

#### 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:

2016	\$ 136,807
2017	120,493
2018	125,128
2019	122,942
2020 and thereafter	<u>157,293</u>
	<u>\$ 662,663</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:

# Crohn's and Colitis Canada

## Notes to the Financial Statements

June 30, 2015

### 6. Commitments and guarantees (continued)

	<u>2015</u>	<u>2014</u>
Research grant commitments, beginning of year	\$ 13,393,741	\$ 7,836,880
Research grants awarded during the year	2,973,058	12,900,284
Research grants withdrawn/reduced during the year	<u>-</u>	<u>(198,181)</u>
	<b>16,366,799</b>	20,538,983
Research grants paid during the year	<b>(5,587,894)</b>	(7,145,242)
Research grant commitments, end of year	<b>10,778,905</b>	13,393,741
Less: Transfers between internally restricted research reserve fund and unrestricted fund balances (Note 2)	<u><b>(6,534,493)</b></u>	<u>(9,178,980)</u>
Research grant commitments due within 12 months	<u><b>\$ 4,244,412</b></u>	<u>\$ 4,214,761</u>

#### Helmsley Charitable Trust

During fiscal 2014, the Organization announced a \$9,826,350 four year funding commitment to Crohn's disease research in Canada, of which U.S. \$5,895,810 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, 2015, the Organization has outstanding letters of guarantee in the amount of \$26,000 (2014 - \$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

June 30, 2015

## 7. Deferred revenue

	Externally restricted revenue	Unrestricted revenues					
		GEM Project	IBD - Sponsorships	Gala Tournaments	Golf Partnership	Corporate Partnership	2014 Total
Market Gift - Research	-	-	461,113	389,330	119,008	593,170	3,754,004
Ross McMaster memorial donation	406,381	-	194,506	6,100	130,658	189,999	702,367
Government Grants	8,645	-	-	-	-	-	-
Balance, beginning of year	\$ 150,000	\$ -	\$ 194,506	\$ 6,100	\$ 130,658	\$ 189,999	\$ 1,086,289
Add: Received	-	669,005	461,113	389,330	119,008	593,170	2,261,074
Less: Recognized	(75,000)	(669,005)	(405,873)	(395,430)	(168,816)	(652,194)	(2,366,318)
Balance, end of year	\$ 75,000	\$ -	\$ 249,746	\$ -	\$ 80,850	\$ 130,975	\$ 981,045

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

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# Crohn's and Colitis Canada

## Notes to the Financial Statements

June 30, 2015

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### 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, 2015:

#### **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 and fixed income investments.

#### **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 investments, 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. The Organization is also subject to currency risk as a result of the Helmsley Charitable Trust Agreement. To reduce this risk, the company entered into foreign currency forward contracts, which have been accounted for in these financial statements as outlined in Note 2.

#### 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.

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### 9. Comparative figures

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2015 financial statements.

# Crohn's and Colitis Canada Schedule 1 – Expense Allocation

Year ended June 30, 2015

## Expense allocation

	Research	Education/ awareness/ advocacy	Volunteer/ chapter services	Fundraising expenses	General and administrative	2015	2014
Direct costs	\$ 5,587,894	\$ 1,187,004	\$ 155,817	\$ 2,354,787	\$ 170,932	\$ 9,456,434	\$ 9,801,199
Allocated costs							
Salaries and benefits	214,961	661,350	551,281	1,454,670	1,052,762	3,935,024	3,906,317
General office	169,491	118,944	99,799	473,036	325,681	1,186,951	974,823
Rent	29,779	28,128	54,599	72,090	65,517	250,113	243,163
Insurance	-	-	-	10,862	10,862	21,724	22,912
<b>Total</b>	<b>\$ 6,002,125</b>	<b>\$ 1,995,426</b>	<b>\$ 861,496</b>	<b>\$ 4,365,445</b>	<b>\$ 1,625,754</b>	<b>\$ 14,850,246</b>	<b>\$ 14,948,414</b>

## 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 and 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.