

Crohn's and Colitis Canada

Financial Statements

For the year ended June 30, 2017

Crohn's and Colitis Canada

Financial Statements

For the year ended June 30, 2017

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Tel: 416 865 0200
Fax: 416 865 0887
www.bdo.ca

BDO Canada LLP
TD Bank Tower
66 Wellington Street West
Suite 3600, P.O. Box 131
Toronto ON M5K 1H1 Canada

Independent Auditor's Report

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, 2017 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 reasonable basis for our audit opinion.

Opinion

In our opinion, the financial statements presents fairly, in all material respects, the financial position of Crohn's and Colitis Canada as at June 30, 2017, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

September 23, 2017
Toronto, Ontario

Crohn's and Colitis Canada Statement of Financial Position

June 30 **2017** **2016**

Assets

Current

Cash (Note 3)	\$ 4,164,698	\$ 5,226,594
Externally restricted cash (Note 4)	179,290	141,874
Investments (Note 5)	7,736,065	5,709,590
Accounts receivable	714,327	503,117
Prepaid expenses	107,581	115,106

12,901,961 11,696,281

Investments (Note 5)

329,272 1,491,333

Property and equipment (Note 6)

185,462 117,818

\$ 13,416,695 \$ 13,305,432

Liabilities

Current

Accounts payable and accrued liabilities	\$ 718,922	\$ 705,322
Deferred revenue (Note 7)	2,634,472	2,808,864

3,353,394 3,514,186

Deferred revenue (Note 7)

466,816 442,739

3,820,210 3,956,925

Fund Balances (Note 9)

Endowment	521,643	467,758
Internally restricted research reserve	3,291,985	3,763,861
Internally restricted property and equipment	185,462	117,818
Internally restricted operating	1,500,000	1,400,000
Unrestricted	4,097,395	3,599,070

9,596,485 9,348,507

\$ 13,416,695 \$ 13,305,432

On behalf of the Board of Directors:



Harvey Doerr, Chair



Lawrence Davis, Treasurer

Crohn's and Colitis Canada Statement of Revenue and Expenses

For the year ended June 30	2017	2016
Revenue		
Gifts	\$ 7,425,811	\$ 8,038,822
Fundraising event proceeds	6,492,315	5,966,360
Investment income (Note 5)	399,265	188,646
	14,317,391	14,193,828
Expenses (Note 11)		
Program costs		
Research	6,694,961	6,583,829
Education/awareness/advocacy	1,633,872	1,622,503
Volunteer/chapter services	666,658	790,970
	8,995,491	8,997,302
Support costs		
Fundraising expenses	3,734,769	3,614,754
General and administrative	1,368,562	1,287,147
	5,103,331	4,901,901
Total expenses	14,098,822	13,899,203
Excess of revenue over expenses before undernoted	218,569	294,625
Foreign exchange loss	(24,476)	(131,614)
Excess of revenue over expenses for the year	\$ 194,093	\$ 163,011

The accompanying notes are an integral part of these financial statements.

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

For the year ended June 30

	2017					2016	
	Endowment fund	Internally restricted research reserve fund	Internally restricted property and equipment	Internally restricted operating fund	Unrestricted	Total	Total
	(Note 9)	(Note 9)	(Note 9)	(Note 9)	(Note 9)		
Fund balances, beginning of year	\$ 467,758	\$ 3,763,861	\$ 117,818	\$ 1,400,000	\$ 3,599,070	\$ 9,348,507	\$ 8,717,738
Excess of revenue over expenses for the year	-	-	(41,326)	-	235,419	194,093	163,011
Contributions to externally restricted endowment fund	53,885	-	-	-	-	53,885	467,758
Internally restricted research reserve fund and unrestricted fund balances	-	(471,876)	-	-	471,876	-	-
Acquisition of property, plant and equipment	-	-	108,970	-	(108,970)	-	-
Internally restricted operating fund and unrestricted fund balance	-	-	-	100,000	(100,000)	-	-
Fund balances, end of year	\$ 521,643	\$ 3,291,985	\$ 185,462	\$ 1,500,000	\$ 4,097,395	\$ 9,596,485	\$ 9,348,507

The accompanying notes are an integral part of these financial statements.

Crohn's and Colitis Canada Statement of Cash Flows

For the year ended June 30	2017	2016
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	\$ 194,093	\$ 163,011
Adjustments to reconcile excess of revenue over expenses for the year to cash provided by operating activities		
Amortization	41,326	52,278
Unrealized (gain) loss on investments (Note 5)	(111,646)	265,829
Changes in non-cash working capital balances		
Accounts receivables	(211,210)	346,744
Prepaid expenses	7,525	(27,637)
Accounts payables and accrued liabilities	13,600	(51,990)
Deferred revenue	(150,315)	2,270,558
	(216,627)	3,018,793
Investing activities		
Investment activity (net)	(3,126,383)	(395,412)
Proceeds from disposal of investments	2,400,000	1,200,000
Acquisition of property and equipment	(108,970)	-
	(835,353)	804,588
Financing activity		
Contribution to endowment fund	27,500	268,104
	(1,024,480)	4,091,485
Increase (decrease) in cash during the year		
	(1,024,480)	4,091,485
Cash, beginning of year	5,368,468	1,276,983
	4,343,988	5,368,468
Cash, end of year	\$ 4,343,988	\$ 5,368,468
Cash:		
Unrestricted	\$ 4,164,698	\$ 5,226,594
Externally restricted (Note 4)	179,290	141,874
	\$ 4,343,988	\$ 5,368,468
Net cash	\$ 4,343,988	\$ 5,368,468
Non-cash transaction:		
Life insurance policy (Note 5)	\$ 26,385	199,654

The accompanying notes are an integral part of these financial statements.

Crohn's and Colitis Canada Notes to Financial Statements

June 30, 2017

1. Purpose of the Organization

Crohn's and Colitis Canada (the "Organization") is a national not-for-profit organization. The Organization's promise is to cure Crohn's disease and ulcerative colitis and improve the lives of children and adults affected by these chronic diseases. The Organization was established under the Canada Corporations Act as a not-for-profit organization without share capital and continued under the Canada Not-for-profit Corporations Act in October 2014.

Crohn's and Colitis 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 Including Chapters

The financial statements include all of the national and regional operations of Crohn's and Colitis Canada and its 46 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. Endowment contributions are recognized as direct increases in fund balances.

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

Crohn's and Colitis Canada Notes to Financial Statements

June 30, 2017

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.

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 (loss).

All other financial assets and liabilities are recorded 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.

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.

Crohn's and Colitis Canada Notes to Financial Statements

June 30, 2017

2. Summary of Significant Accounting Policies (continued)

Research Grants and Awards

Research grants and awards are recorded in the financial statements at the earlier of when a legal obligation exists and when the grants and awards are paid.

Donated Goods and Services

A number of individuals and business organizations have volunteered their time to the Organization's fundraising efforts. Due to the difficulty in determining their fair value, these are not recognized or disclosed in the financial statements.

Expense Allocation

Expenses are allocated (Note 11) using the following 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, amortization 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.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The estimates are reviewed periodically and as adjustments become necessary they are reported in the year in which they become known. Actual results could differ from those estimates.

Crohn's and Colitis Canada Notes to Financial Statements

June 30, 2017

3. Cash

Included in cash are funds of \$3,425,643 (2016 - \$4,396,710) held in premium interest accounts with an effective interest rate of 0.75% (2016 - 0.76%).

4. Externally Restricted Cash

Externally restricted cash comprises gaming revenues earned by the Organization. Use of gaming revenues is restricted for use in the region where the gaming revenues were earned.

5. Investments

Investments are stated at fair value and include the investments of the Ross McMaster memorial donation in the amount of \$466,816 (2016 - \$442,739).

	2017	2016
Cash included in investments accounts	\$ 39,149	\$ 711,219
Guaranteed investment certificates	2,576,734	170,000
Corporate bond funds	1,079,666	2,815,268
Listed Equities		
Canadian	869,715	895,434
United States	1,874,789	573,581
International	1,296,012	544,088
Current investments	7,736,065	5,709,590
Fixed income (bonds)	103,233	1,291,679
Life insurance policy (Note 9)	226,039	199,654
Long term investments	329,272	1,491,333
	\$ 8,065,337	\$ 7,200,923

The Guaranteed investment certificates bear interest between 0.50% and 1.00% (2016 - 0.50%) and mature between March 2018 and June 2018 (2016 - June 2017). Bonds have interest rates ranging from 1.25% to 4.5% and mature between December 2018 and June 2026 (2016 - September 2018 and June 2025).

The Organization has assigned \$40,000 of a \$170,000 guaranteed investment certificate, bearing interest at 0.50% (2016 - 0.50%) and maturing June 2018 (2016 - June 2017), as security to maintain a foreign exchange forward contract facility with the Bank. The Organization has assigned a \$1,000,000 guaranteed investment certificate, bearing interest at 1.00% and maturing March 2018, as security for a \$1,000,000 line of credit with the Bank.

In the current year, a portion of the investments in fixed income (bonds) have been restated as current investments due to short term nature of those investments. Comparative amounts have also been restated to conform to the current year's presentation.

Crohn's and Colitis Canada Notes to Financial Statements

June 30, 2017

5. Investments (continued)

Investment income consists of the following:

	2017	2016
Dividend income	\$ 31,402	\$ 33,619
Interest income (including interest on cash balances)	151,132	184,138
Realized gain on sale of investments	105,085	236,718
Unrealized gain (loss) on investments	111,646	(265,829)
	\$ 399,265	\$ 188,646

6. Property and Equipment

	2017		2016	
	Cost	Accumulated Amortization	Carrying Amount	Carrying Amount
Computers and software	\$ 703,612	\$ 601,978	\$ 101,634	\$ 10,862
Furniture and fixtures	130,931	94,725	36,206	48,128
Leasehold improvements	125,310	77,688	47,622	58,828
	\$ 959,853	\$ 774,391	\$ 185,462	\$ 117,818

Crohn's and Colitis Canada Notes to Financial Statements

June 30, 2017

7. Deferred Revenue

	Research Consortium	Impact of IBD	Ross McMaster Memorial Donation	Scholarship Program	Mentoring and Camp	IBD - Sponsorships	GEM Project (Note 8b)	PACE Project	Advocacy & GoHere	Other	2017 Total	2016 Total
Balance, beginning of year	\$ -	\$ -	\$ 442,739	\$ -	\$ 261,600	\$ 149,531	\$ 1,484,221	\$ 825,000	\$ -	\$ 88,512	\$ 3,251,603	\$ 981,045
Add: Received	195,180	150,000	24,077	215,000	186,040	672,483	422,302	147,000	413,200	335,986	2,761,268	4,318,305
Less: Recognized	-	-	-	(95,000)	(261,600)	(478,071)	(1,347,529)	(463,011)	(127,860)	(138,512)	(2,911,583)	(2,047,747)
Balance, end of year	\$ 195,180	\$ 150,000	\$ 466,816	\$ 120,000	\$ 186,040	\$ 343,943	\$ 558,994	\$ 508,989	\$ 285,340	\$ 285,986	\$ 3,101,288	\$ 3,251,603

Crohn's and Colitis Canada Notes to Financial Statements

June 30, 2017

8. Commitments and Guarantees

a) Premises and Office Equipment

The Organization has entered into agreements to lease premises and office equipment for various periods until September 2021 for the National and Regional Offices. The Organization is committed to the following rental payments for premises and office equipment:

2018	\$ 129,000
2019	126,000
2020	131,000
2021	133,000
2022 and thereafter	<u>161,000</u>
	<u>\$ 680,000</u>

b) Helmsley Charitable Trust

In 2014, the Organization announced a \$9,826,350 five year funding commitment to Crohn's disease research in Canada, of which U.S. \$5,895,810 is a lead gift from Helmsley Charitable Trust. The remaining balance has been committed by the Organization. This funding will support the Genetics, Environmental, Microbial (GEM) Project at Mount Sinai Hospital.

As of June 30, 2017, the Organization has received U.S. \$5,727,319 (2016 - \$5,558,526) from the Helmsley Charitable Trust and has expended \$5,168,325 (2016 - \$4,268,325) with the remaining balance recognized as deferred revenue. The Organization itself is committed to \$290,398 (2016 - \$1,060,731) towards the GEM Project of which \$290,398 (2016 - \$707,000) represents its commitment for the next 12 months and is included in internally restricted research reserve fund (Note 9b).

9. Fund Balances

a) Endowment fund

Endowment fund is The Jaclyn Fisher Endowment Fund which was established to carry out designated activities to support the Organization's Montreal education symposia, youth activities of the Organization and any program used to sensitize teachers and students to the disease and its effect. The capital is to be held in perpetuity. During the year \$53,885, including \$26,385 of life insurance policy, was contributed to the fund.

b) Internally restricted research reserve fund

Internally restricted research reserve fund is an internally restricted fund representing the amount estimated for the Organization to honour future research grant commitments within twelve months.

Crohn's and Colitis Canada Notes to Financial Statements

June 30, 2017

9. Fund Balances (continued)

b) Internally Restricted Research Reserve Fund (continued)

The Organization expenses research grants when paid. Approved research grant commitments are not accrued in the financial statements as these grants are subject to continuous review and can be withdrawn if stipulated conditions are not met. A continuity of future research grant commitments is as follows:

	2017	2016
Research grant commitments, beginning of year	\$ 10,185,573	\$ 10,778,905
Research grants approved during the year	4,407,316	5,571,420
Research grants withdrawn/reduced during the year	(72,101)	(9,709)
	14,520,788	16,340,616
Research grants paid during the year	(6,252,770)	(6,155,043)
Research grant commitments, end of year	8,268,018	10,185,573
Less: Research grant commitments beyond 12 months	(4,976,033)	(6,421,712)
Research grant commitments within 12 months	\$ 3,291,985	\$ 3,763,861

During the year, the board approved the transfer of \$471,876 from the restricted to unrestricted fund (2016 - \$480,551 from unrestricted to restricted fund) to match commitments within the next 12 months as at year end.

c) Internally Restricted Property and Equipment

Internally restricted property and equipment is an internally restricted fund representing the carrying amount of property and equipment, less any indebtedness thereon.

d) Internally Restricted Operating Fund

Internally restricted operating fund is an internally restricted fund representing three months of operating expenses excluding mission spending. During the year, the board approved the transfer of \$100,000 (2016 - \$50,000) from the unrestricted to restricted fund to match requirements of internal restriction of three months operating expenses.

e) Unrestricted Fund

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

Crohn's and Colitis Canada Notes to Financial Statements

June 30, 2017

10. 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, 2017:

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.

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 5.

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 5. The Organization is also subject to currency risk as a result of the Helmsley Charitable Trust Agreement. To reduce this risk, the Organization entered into foreign currency forward contracts, which have been accounted for in these financial statements as outlined in Note 2. As at June 30, 2017, the Organization had U.S. \$nil (2016 - U.S. \$336,984) of foreign currency forward contracts which expired in April 2017.

**Crohn's and Colitis Canada
Notes to Financial Statements**

June 30, 2017

11. Expense Allocation

	Research	Education/ awareness/ advocacy	Volunteer/ chapter services	Fundraising expenses	General and administrative	2017	2016
Direct costs	\$ 6,281,976	\$ 831,213	\$ 88,834	\$ 1,975,504	\$ 103,116	\$ 9,280,643	\$ 9,094,342
Allocated costs							
Salaries and benefits	269,930	670,783	451,617	1,492,841	940,355	3,825,526	3,841,020
General office	112,207	104,114	73,363	186,834	249,366	725,884	681,946
Rent	30,848	27,762	52,844	68,586	64,721	244,761	254,264
Insurance	-	-	-	11,004	11,004	22,008	27,631
Total	\$ 6,694,961	\$ 1,633,872	\$ 666,658	\$ 3,734,769	\$ 1,368,562	\$ 14,098,822	\$ 13,899,203