

LUPUS CANADA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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INDEPENDENT AUDITORS' REPORT

To the Members of: Lupus Canada

We have audited the accompanying financial statements of Lupus Canada, which comprise the statement of financial position as at September 30, 2015, and the statements of operations, changes in net assets, 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 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 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

As is the case with many charitable organizations, Lupus Canada derives a portion of its revenue from the general public in the form of donations and fundraising which are not susceptible to complete audit verification. Accordingly, our verification of this revenue was limited to accounting for the amounts recorded in the records of the organization, and we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, excess of revenues over expenses, assets and unrestricted net assets.

INDEPENDENT AUDITORS' REPORT

(Continued)

Qualified Opinion

In our opinion, except for the 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 Lupus Canada as at September 30, 2015, 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.



Chartered Professional Accountants
Licensed Public Accountants

Ajax, Ontario
February 16, 2016

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LUPUS CANADA**STATEMENT OF OPERATIONS****FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>2015</u>	<u>2014</u>
Revenue		
Lupus Scholarship Fund (Note 6)	\$ 10,000	\$ 10,000
Grant revenue	6,480	2,204
Division revenue	490	17,976
Other revenue	707	1,529
	<u>17,677</u>	<u>31,709</u>
Donations and fundraising		
Direct mail campaigns	118,862	130,029
Individual and corporations	64,617	102,457
Memorials	4,488	7,425
Bequests	8,336	6,336
Walk for Lupus	-	2,897
	<u>196,303</u>	<u>249,144</u>
	<u>213,980</u>	<u>280,853</u>
Operating expenses		
General and infrastructure	110,621	168,829
Public awareness	44,790	63,136
Volunteer management	43,544	26,770
Advocacy	23,496	25,074
Research	82,480	19,642
	<u>304,931</u>	<u>303,451</u>
Excess of expenses over revenue from operations	(90,951)	(22,598)
Investment (loss) income	(970)	1,860
EXCESS OF EXPENSES OVER REVENUE	<u>\$ (91,921)</u>	<u>\$ (20,738)</u>

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

LUPUS CANADA

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Invested in Capital Assets (Note 3)	Internally Restricted (Note 6)	Unrestricted	2015 Total	2014 Total
Balance, beginning of year	\$1,981	\$42,313	\$378,707	\$423,001	\$453,739
Excess of expenses over revenue	(594)	-	(91,327)	(91,921)	(20,738)
Transfer to Operating Fund Reserve	-	69,000	(69,000)	-	-
Lupus Scholarship Fund bursary	-	(10,000)	-	(10,000)	(10,000)
BALANCE, END OF YEAR	\$1,387	\$101,313	\$218,380	\$321,080	\$423,001

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

LUPUS CANADA

STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2015

	<u>2015</u>	<u>2014</u>
ASSETS		
Current		
Cash and cash equivalents	\$ 457,808	\$ 432,263
Accounts receivable	5,021	23,000
Portfolio investments	10,042	11,605
Sundry assets	6,481	9,214
	<u>479,352</u>	<u>476,082</u>
Capital assets (Note 3)	<u>1,387</u>	<u>1,981</u>
	<u>\$ 480,739</u>	<u>\$ 478,063</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 23,150	\$ 30,587
Deferred contributions (Note 4)	<u>136,509</u>	<u>24,475</u>
	<u>159,659</u>	<u>55,062</u>
NET ASSETS		
Unrestricted net assets	218,380	378,707
Net assets invested in capital assets (Note 3)	1,387	1,981
Net assets internally restricted (Note 6)	101,313	42,313
	<u>321,080</u>	<u>423,001</u>
	<u>\$ 480,739</u>	<u>\$ 478,063</u>
Commitment (Note 7)		

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

LUPUS CANADA

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>2015</u>	<u>2014</u>
Cash provided by (used in):		
Operating activities:		
Excess of expenses over revenue	\$ (91,921)	\$ (20,738)
Items not affecting cash:		
Amortization	594	848
Loss (gain) on portfolio investments	1,563	(1,860)
Non-cash contributions of portfolio investments	-	(3,832)
	<u>(89,764)</u>	<u>(25,582)</u>
Net change in non-cash working capital balances related to operations:		
Decrease (increase) in accounts receivable	17,979	(7,909)
Decrease (increase) in sundry assets	2,733	(542)
(Decrease) increase in accounts payable and accrued liabilities	(7,437)	6,062
Increase in deferred contributions received (Note 4)	112,034	2,496
Lupus Scholarship Fund bursary	(10,000)	(10,000)
	<u>25,545</u>	<u>(35,475)</u>
Increase (decrease) in cash and cash equivalents, during the year	25,545	(35,475)
Cash and cash equivalents, beginning of year	432,263	467,738
Cash and cash equivalents, end of year	<u>\$ 457,808</u>	<u>\$ 432,263</u>
Cash and cash equivalents are comprised of:		
Bank deposits	\$ 457,184	\$ 431,920
Money market funds	624	343
	<u>\$ 457,808</u>	<u>\$ 432,263</u>

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

LUPUS CANADA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

1. Nature of operations

Lupus Canada is a non-profit organization which was incorporated under the Canada Corporations Act and continued under the Canada Not-for-Profit Corporations Act on April 28, 2014. It is a registered charity exempt from taxes under Section 149(1)(f) of the Income Tax Act (Canada).

2. Significant accounting policies

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

a) Revenue recognition

Lupus Canada follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

c) Capital assets

Capital assets are recorded at cost less amortization. The organization provides for amortization using the following methods at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates and methods are as follows:

Computer equipment	30% declining balance
Equipment	30% declining balance

The organization reviews for impairment of capital assets whenever events or change in circumstances indicate that the carrying value may not be recoverable. If the total of the estimated undiscounted future cash flows is less than the carrying value of the assets, an impairment loss is recognized during the year the impairment occurs.

d) Contributed materials and services

The organization has chosen to disclose the nature and amount, where applicable, of contributed materials and services but not to record the value in the financial statements. The organization receives volunteer services throughout the year, the value of which is not determinable.

LUPUS CANADA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

2. Significant accounting policies (continued)

e) Use of estimates

In preparing the organization's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses. These estimates are periodically reviewed and, accordingly, adjustments made to these estimates are taken into operations in the year in which it is determined. These estimates are subject to measurement uncertainty, and actual results could differ from those estimates. Estimates are used when accounting for certain items, such as useful lives of capital assets, allowance for doubtful accounts, and accruals.

f) Financial instruments

The organization's portfolio investments are initially recognized and subsequently measured at fair value without adjustments for transaction costs that would be incurred on disposals. Changes in fair value are recognized in the period of change. Transaction costs associated with the acquisition of these investments are recognized in the period incurred. Portfolio investments consist of publicly traded securities.

All other financial instruments, being cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities are initially recorded at fair value and subsequently measured at amortized cost.

3. Capital assets

	Cost	Accumulated Amortization	2015 Net	2014 Net
Computer equipment	\$ 27,108	\$ 25,935	\$ 1,173	\$ 1,675
Equipment	11,660	11,446	214	306
	<u>\$ 38,768</u>	<u>\$ 37,381</u>	<u>\$ 1,387</u>	<u>\$ 1,981</u>

LUPUS CANADA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

4. Deferred contributions

Deferred contributions represent funds received which are externally restricted for expenses of subsequent fiscal years.

	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 24,475	\$ 21,979
Add: contributions received during the year	115,671	2,496
Less: contributions recognized during the year	(3,637)	-
	<u>\$ 136,509</u>	<u>\$ 24,475</u>

Deferred contributions balance consists of the following amounts:

Research	\$ 131,746	\$ 16,075
Fact booklet - Trillium grant	4,763	8,400
	<u>\$ 136,509</u>	<u>\$ 24,475</u>

5. Fundraising activities

Lupus Canada reports the gross and net contributions of its direct mail campaigns, as follows:

	<u>2015</u>	<u>2014</u>
Direct mail revenues	\$ 118,862	\$ 130,029
Direct mail costs	(41,912)	(84,025)
	<u>\$ 76,950</u>	<u>\$ 46,004</u>

Direct mail costs are included in General and infrastructure on the Statement of Operations.

6. Net assets internally restricted

	<u>2015</u>	<u>2014</u>
Operating Fund Reserve	\$ 75,000	\$ 6,000
Research Fund	10,000	10,000
Lupus Canada Scholarship Fund	16,313	26,313
	<u>\$ 101,313</u>	<u>\$ 42,313</u>

In 1998, the Board of Directors approved the establishment of an Operating Fund Reserve with the intent to have approximately six months of the annual budget reserved for future use in operations, programs, services or capital acquisitions. During the year, the Board of Directors approved a transfer of \$69,000 from unrestricted net assets to the Operating Fund Reserve to bring its balance in line with the estimated amount for the reserve's intended purpose.

LUPUS CANADA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

6. Net assets internally restricted (continued)

As a result of a bequest received in 2003, the organization created a Research Fund whose use is internally restricted to research related expenditures to be approved by the Board of Directors.

During the year, \$10,000 was allocated from the Lupus Canada Scholarship Fund to general revenues and disbursed to scholarship candidates.

7. Commitment

The organization is obligated to pay the following minimum lease payments for its premises.

2016	\$	13,475
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8. Financial instruments

Risks and concentrations

The organization is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis provides a description of the organization's risk exposure at September 30, 2015. There are no material differences in risks versus those of the previous year.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from its members and contributors. However, the organization has a significant number of members and contributors which minimizes concentration of credit risk.

Price risk

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, 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 organization is exposed to price risk through its ownership in portfolio investments.

It is management's opinion that the organization is not exposed to any other significant risks arising from their financial instruments.

9. Comparative figures

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.