

LUPUS CANADA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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YEAR ENDED SEPTEMBER 30, 2020
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INDEPENDENT AUDITOR'S REPORT

To the Members of Lupus Canada

Qualified Opinion

We have audited the financial statements of Lupus Canada (the "organization"), which comprise the statement of financial position as at September 30, 2020, and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at September 30, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the organization. Therefore, we were unable to determine whether any adjustments might be necessary to donations and fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended September 30, 2020 and September 30, 2019, current assets as at September 30, 2020 and September 30, 2019 and net assets as at October 1 and September 30 for both 2020 and 2019 years. Our audit opinion on the financial statements for the year ended September 30, 2019 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

INDEPENDENT AUDITOR'S REPORT (continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit 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 organization's internal control.

**INDEPENDENT AUDITOR'S REPORT
(continued)**

- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hurren Sinclair MacIntyre LLP

Chartered Professional Accountants
Licensed Public Accountants

Ajax, Ontario
March 2, 2021

LUPUS CANADA
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2020

	<u>2020</u>	<u>2019</u>
ASSETS		
Current		
Cash and cash equivalents	\$ 492,626	\$ 629,862
Accounts receivable	11,128	10,702
Sundry assets	20,766	15,444
	<u>524,520</u>	<u>656,008</u>
Long term		
Capital assets (Note 2)	2,405	3,746
	<u>\$ 526,925</u>	<u>\$ 659,754</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 30,599	\$ 68,038
Long term		
Deferred contributions (Note 3)	174,531	192,846
	<u>205,130</u>	<u>260,884</u>
NET ASSETS		
Unrestricted net assets	219,340	320,099
Net assets invested in capital assets	2,405	3,746
Net assets internally restricted (Note 5)	100,050	75,025
	<u>321,795</u>	<u>398,870</u>
	<u>\$ 526,925</u>	<u>\$ 659,754</u>

Approved on behalf of the Board:

Director _____

Director _____

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

LUPUS CANADA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>2020</u>	<u>2019</u>
REVENUES		
Lupus Scholarship Fund (Note 5)	\$ 20,000	\$ 20,000
Grant revenue	54,625	4,637
Investment and other income	2,260	1,596
Divisions	-	150
	<u>76,885</u>	<u>26,383</u>
Donations and fundraising		
Direct mail campaigns (Note 4)	108,520	102,729
Individual and corporations	126,774	232,985
Memorial	11,865	8,151
Bequests	31,132	303,884
	<u>278,291</u>	<u>647,749</u>
	<u>355,176</u>	<u>674,132</u>
Operating expenses		
General and infrastructure	254,073	160,771
Public awareness	52,985	73,856
Research	52,660	140,243
Volunteer management	31,194	37,522
Advocacy	27,550	32,764
Fund development	2,450	-
	<u>420,912</u>	<u>445,156</u>
Excess of revenues over expenses (expenses over revenues) from operations	(65,736)	228,976
Interest income	<u>8,386</u>	<u>10,426</u>
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES)	<u>\$ (57,350)</u>	<u>\$ 239,402</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, 2020

	Invested in Capital Assets	Internally Restricted	Unrestricted	Total 2020	Total 2019
Balance, beginning of year	\$ 3,746	\$ 75,025	\$ 320,099	\$ 398,870	\$ 167,169
Excess of revenues over expenses (expenses over revenues)	(1,341)	-	(56,009)	(57,350)	239,401
Contributions received	-	275	-	275	12,300
Lupus Scholarship Fund bursary	-	(20,000)	-	(20,000)	(20,000)
Other transfers	-	44,750	(44,750)	-	-
Balance, end of year	<u>\$ 2,405</u>	<u>\$ 100,050</u>	<u>\$ 219,340</u>	<u>\$ 321,795</u>	<u>\$ 398,870</u>

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

LUPUS CANADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>2020</u>	<u>2019</u>
Cash provided by (used in)		
Operating activities:		
Excess of revenues over expenses (expenses over revenues)	\$ (57,350)	\$ 239,402
Adjustments for non-cash items:		
Amortization	1,341	901
	<u>(56,009)</u>	<u>240,303</u>
Change in non-cash working capital items		
Accounts receivable	(427)	(4,938)
Sundry assets	(5,321)	4,665
Accounts payable and accrued liabilities	(37,439)	46,739
Deferred contributions	(18,315)	(88,934)
Lupus Scholarship Fund bursary	(19,725)	(7,700)
	<u>(81,227)</u>	<u>(50,168)</u>
	<u>(137,236)</u>	<u>190,135</u>
Investing activities:		
Purchase of equipment and leaseholds	-	(4,172)
		<u>(4,172)</u>
Increase (decrease) in cash	(137,236)	185,963
Cash and cash equivalents, beginning of year	629,862	443,899
Cash and cash equivalents, end of year	<u>\$ 492,626</u>	<u>\$ 629,862</u>
Cash consists of:		
Cash	\$ 142,626	\$ 89,862
Term Deposits	350,000	540,000
	<u>\$ 492,626</u>	<u>\$ 629,862</u>

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

LUPUS CANADA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

Nature of operations

Lupus Canada ("the organization") 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 subsection 149(1)(f) of the *Income Tax Act* (Canada).

The purpose of the organization is to improve the lives of people affected by lupus through research, public awareness, advocacy and education.

1. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) and include the following significant accounting policies:

(a) Revenue recognition

The organization follows the deferral method of accounting for contributions. Donations and fundraising revenue may be externally restricted or unrestricted. 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. Grants are recorded as revenue when received.

(b) Use of estimates

The preparation of financial statements requires management 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 the useful lives of capital assets, allowance for doubtful accounts and accounts payable and accrued liabilities.

(c) Financial instruments

The organization initially measures its financial assets and liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and cash equivalents and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

LUPUS CANADA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

1. Significant accounting policies (Continued)

(d) Cash and cash equivalents

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

(e) Capital assets

Capital assets are recorded at cost, less accumulated 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	Declining balance	30%
Equipment	Declining balance	30%
Leasehold improvements	Straight-line	remaining term of lease

(f) Contributed material 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.

2. Capital assets

	Cost	Accumulated Amortization	2020 Net Book Value	2019 Net Book Value
Computer equipment	\$ 27,108	\$ 26,911	\$ 197	\$ 282
Equipment	11,660	11,624	36	51
Leasehold improvements	4,171	1,999	2,172	3,413
	<u>\$ 42,939</u>	<u>\$ 40,534</u>	<u>\$ 2,405</u>	<u>\$ 3,746</u>

The amortization expense for the year is \$1,341 (2019 - \$901).

LUPUS CANADA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

3. Deferred contributions

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

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 192,846	\$ 281,780
Add: contributions received	16,862	31,503
Less: contributions recognized	<u>(35,177)</u>	<u>(120,437)</u>
	<u>\$ 174,531</u>	<u>\$ 192,846</u>

Deferred contributions balance consists of the following amounts:

Research	\$ 168,785	\$ 189,923
Fact booklet - Trillium grant	2,746	2,923
Lupus Let's Talk	<u>3,000</u>	<u>-</u>
	<u>\$ 174,531</u>	<u>\$ 192,846</u>

4. Fundraising activities

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

	<u>2020</u>	<u>2019</u>
Direct mail revenues	\$ 108,520	\$ 102,729
Direct mail costs	<u>(26,586)</u>	<u>(27,842)</u>
	<u>\$ 81,934</u>	<u>\$ 74,887</u>

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

LUPUS CANADA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

5. Net assets internally restricted

	<u>2020</u>	<u>2019</u>
Operating Fund reserve	\$ 100,000	\$ 75,000
Lupus Canada Scholarship Fund	50	25
	<u>\$ 100,050</u>	<u>\$ 75,025</u>

The Operating Fund reserve is an internally restricted account designed to harbour in reserve approximately six months of the annual operating budget (nondiscretionary items) for future operations. The board set the Reserve at \$100,000 as of June 24, 2020. Any changes to the fund require Board approval.

During the year, contributions were received in the amount of \$275 to the Lupus Canada Scholarship Fund.

During the year, \$19,750 was allocated from the Lupus Canada Scholarship fund to general revenues and \$20,000 was disbursed to scholarship candidates.

6. Commitments

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

2021	\$ 6,829
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7. Government wage subsidy assistance

The organization applied for subsidy under the Canada Emergency Wage Subsidy for wages and benefits incurred in the current year, in the amount of \$50,259. This amount is presented with grant revenue on the Statement of Operations.

8. Financial instruments

The organization is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis presents the organization's risk exposure at the reporting date.

LUPUS CANADA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

8. Financial instruments (Continued)

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. 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.

(b) Liquidity risk

Liquidity risk is the risk that the organization 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.

9. Subsequent events

In March 2020, the Province of Ontario declared a state of emergency due to the outbreak of the COVID-19 virus, which continues to spread in Canada and around the world.

As at January 2021, the organization is actively monitoring the effect on its financial condition, liquidity, operations, donors, industry and workforce. As the situation continues to evolve rapidly, the duration and impact of the COVID-19 crisis is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the organization in future years.

10. Comparative figures

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