

**LUPUS CANADA**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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## INDEPENDENT AUDITORS' 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, 2019, and the statements of operations, changes in net assets and 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 possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at September 30, 2019, 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**

As is the case with many charitable organizations, the Organization 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.

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.

### **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.

## INDEPENDENT AUDITORS' REPORT (Continued)

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.
- 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.



### *Licensed Public Accountants*

Ajax, Ontario  
**January 21, 2020**

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**LUPUS CANADA**

**STATEMENT OF OPERATIONS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>2019</u>	<u>2018</u>
<b>Revenue</b>		
Lupus Scholarship Fund (Note 5)	\$ 20,000	\$ 10,000
Grant revenue	4,636	3,719
Investment and other income	1,596	1,331
Divisions	150	-
	<u>26,382</u>	<u>15,050</u>
<b>Donations and fundraising</b>		
Direct mail campaigns (Note 4)	102,729	126,425
Individual and corporations	232,985	200,108
Memorials	8,151	43,470
Bequests	303,884	11,462
	<u>647,749</u>	<u>381,465</u>
	<u>674,131</u>	<u>396,515</u>
<b>Operating expenses</b>		
General and infrastructure	160,771	242,321
Research	140,243	104,651
Public awareness	73,856	51,371
Volunteer management	37,522	22,748
Advocacy	32,764	18,849
	<u>445,156</u>	<u>439,940</u>
<b>Excess of revenue over expenses (expenses over revenue) from operations</b>	228,975	(43,425)
Interest income	10,426	4,589
<b>EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE)</b>	<u>\$ 239,401</u>	<u>\$ (38,836)</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, 2019**

	Invested in Capital Assets (Note 2)	Internally Restricted (Note 5)	Unrestricted	2019 Total	2018 Total
<b>Balance, beginning of year</b>	\$ 476	\$ 75,075	\$ 91,618	\$ 167,169	\$ 215,930
Excess of revenue over expenses (expenses over revenue)	(901)	-	240,302	239,401	(38,836)
Capital asset additions	4,171	-	(4,171)	-	-
Contributions received	-	12,300	-	12,300	75
Lupus Scholarship Fund bursary	-	(20,000)	-	(20,000)	(10,000)
Other transfers	-	7,650	(7,650)	-	-
<b>Balance, end of year</b>	<b>\$ 3,746</b>	<b>\$ 75,025</b>	<b>\$ 320,099</b>	<b>\$ 398,870</b>	<b>\$ 167,169</b>

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

**LUPUS CANADA**  
**FINANCIAL STATEMENTS**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2019**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 629,862	\$ 443,900
Accounts receivable	10,702	5,763
Sundry assets	15,444	20,109
	<u>656,008</u>	<u>469,772</u>
<b>Long-term</b>		
Capital assets (Note 2)	3,746	475
	<u>\$ 659,754</u>	<u>\$ 470,247</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 68,038	\$ 21,298
<b>Long-term</b>		
Deferred contributions (Note 3)	192,846	281,780
	<u>260,884</u>	<u>303,078</u>
<b>NET ASSETS</b>		
Unrestricted net assets	320,099	91,618
Net assets invested in capital assets	3,746	476
Net assets internally restricted (Note 5)	75,025	75,075
	<u>398,870</u>	<u>167,169</u>
	<u>\$ 659,754</u>	<u>\$ 470,247</u>

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

**LUPUS CANADA**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>2019</u>	<u>2018</u>
<b>Cash provided by (used in):</b>		
<b>Operating activities:</b>		
Excess of revenue over expenses (expenses over revenue)	\$ 239,401	\$ (38,836)
Add items not affecting cash:		
Amortization	901	204
	<u>240,302</u>	<u>(38,632)</u>
Net change in non-cash working capital balances related to operations:		
(Increase) decrease in accounts receivable	(4,939)	5,744
(Increase) decrease in sundry assets	4,665	10,986
Increase (decrease) in accounts payable and accrued liabilities	46,740	(16,748)
Increase (decrease) in deferred contributions received	(88,934)	(28,269)
Lupus Scholarship Fund bursary	(7,700)	(9,925)
	<u>190,134</u>	<u>(76,844)</u>
<b>Investing activities:</b>		
Purchase of equipment and leaseholds	(4,172)	-
Cash and cash equivalents, beginning of year	<u>443,900</u>	<u>520,744</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 629,862</u>	<u>\$ 443,900</u>

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



# **LUPUS CANADA**

## **NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019**

### **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 Section 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 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. 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) 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.

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

Amortization of leasehold improvements is recorded over the remaining term of the lease.

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**

**FINANCIAL STATEMENTS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019**

**1. 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 initially measures its financial assets and financial liabilities at fair value. It subsequently measures all of its financial assets and liabilities at amortized cost.

The financial assets subsequently measured at amortized cost include cash and cash equivalents, and accounts receivable. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

**2. Capital assets**

	Cost	Accumulated Amortization	2019 Net	2018 Net
Computer equipment	\$ 27,108	\$ 26,826	\$ 282	\$ 402
Equipment	15,831	12,367	3,464	73
	<u>\$ 42,939</u>	<u>\$ 39,193</u>	<u>\$ 3,746</u>	<u>\$ 475</u>

The amortization expense for the year is \$901 (2018 - \$204).

## LUPUS CANADA

### FINANCIAL STATEMENTS

#### NOTES TO FINANCIAL STATEMENTS

##### SEPTEMBER 30, 2019

### 3. Deferred contributions

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

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 281,780	\$ 310,049
Add: contributions received during the year	31,503	59,231
Less: contributions recognized during the year	(120,437)	(87,500)
	<u>\$ 192,846</u>	<u>\$ 281,780</u>

Deferred contributions balance consists of the following amounts:

Research	\$ 189,923	\$ 278,421
Fact booklet - Trillium grant	2,923	3,359
	<u>\$ 192,846</u>	<u>\$ 281,780</u>

### 4. Fundraising activities

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

	<u>2019</u>	<u>2018</u>
Direct mail revenues	\$ 102,729	\$ 126,425
Direct mail costs	(27,842)	(119,580)
	<u>\$ 74,887</u>	<u>\$ 6,845</u>

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

### 5. Net assets internally restricted

	<u>2019</u>	<u>2018</u>
Operating Fund Reserve	\$ (75,000)	\$ (75,000)
Lupus Canada Scholarship Fund	(25)	(75)
	<u>\$ (75,025)</u>	<u>\$ (75,075)</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 \$75,000 as of September 30, 2015. Any changes to the fund require Board approval.

During 2019, contributions were received in the amount of \$12,300 to the Lupus Canada Scholarship Fund.

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

**LUPUS CANADA**

**FINANCIAL STATEMENTS**

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**SEPTEMBER 30, 2019**

**6. Commitments**

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

2020	\$	8,877
2021		<u>6,829</u>
	\$	<u><u>15,706</u></u>

The organization is obligated to pay the following for its donor database software.

2020	\$	<u>9,160</u>
	\$	<u><u>9,160</u></u>

**7. 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 presents the organization's risk exposure at the report date of September 30, 2019.

**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.

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