

LUPUS ONTARIO
(formerly The Ontario Lupus Association)

REPORT AND FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

INDEPENDENT AUDITOR'S REPORT

***To the Board of Directors,
Lupus Ontario (formerly The Ontario Lupus Association)***

We have audited the accompanying financial statements of Lupus Ontario (formerly The Ontario Lupus Association), which comprise the statement of financial position as at September 30, 2017, and the statements of operations and unrestricted fund balance, research fund balance, 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 of 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 auditors consider 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 basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Lupus Ontario (formerly The Ontario Lupus Association) derives revenues from fees and other activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the association and we were not able to determine whether any adjustments might be necessary to fees and other revenues, net revenue, assets and net assets.

Qualified Opinion

In our opinion, except for the effect of the potential adjustments, if any, which we might have determined to be necessary, had we been able to satisfy ourselves concerning the completeness of the receipts referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of Lupus Ontario (formerly The Ontario Lupus Association) as at September 30, 2017, and its financial performance and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

Mississauga, Ontario
December 19, 2017

Gilmore + Company LLP

Chartered Professional Accountants
Licensed Public Accountants

LUPUS ONTARIO (formerly The Ontario Lupus Association)

(Incorporated under The Business Corporations Act - Ontario)

STATEMENT OF FINANCIAL POSITION

As at September 30,

	2017	2016
ASSETS		
Current		
Cash	\$ 60,558	\$ 65,520
Short-term investments	316,097	258,462
Accounts receivable	3,889	8,158
HST receivable	11,207	10,834
Prepaid expenses	2,289	3,092
	394,040	346,066
Property, plant and equipment (Note 3)	2,093	2,741
	\$ 396,133	\$ 348,807
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 11,047	\$ 10,432
Government remittances payable	2,318	2,344
	13,365	12,776
FUND BALANCES		
Deferred contributions (Note 4)	82,436	82,836
Deferred research contributions (Note 5)	11,721	-
Unrestricted fund balance (page 2)	288,611	216,829
Research fund balance (page 3)	-	36,366
	382,768	336,031
	\$ 396,133	\$ 348,807

On behalf of the Board

_____ Director

_____ Director

LUPUS ONTARIO (formerly The Ontario Lupus Association)

STATEMENT OF OPERATIONS AND UNRESTRICTED FUND BALANCE

For the year ended September 30,

	2017	2016
Receipts		
Activities income (schedule 1)	\$ 224,973	\$ 218,796
AGM registration	2,475	1,820
Charitable donations	27,564	38,832
Deferred contributions recognized as revenue	259	14,186
Individual membership dues	8,724	9,050
Investment income	18,009	15,957
Memorial donations	62,975	29,347
Research donations	28,634	31,024
	373,613	359,012
Expenses		
Administration	51,734	53,558
Fundraising	115,928	133,196
Public Awareness	31,288	20,689
Research funding and clinic support	35,649	17,124
Support and education programs	44,747	39,796
Volunteer Support	22,485	19,308
	301,831	283,671
Excess of receipts over expenses	71,782	75,341
Unrestricted fund balance, beginning of year	216,829	197,488
Allocation to research fund	-	(56,000)
Unrestricted fund balance, end of year	\$ 288,611	\$ 216,829

LUPUS ONTARIO (formerly The Ontario Lupus Association)

STATEMENT OF RESEARCH FUND BALANCE

For the year ended September 30,

	2017	2016
Research fund balance, beginning of year	\$ 36,366	\$ 37,302
Receipts	-	-
Expenses		
Geoff Car Fellowship	36,366	55,000
Travel allowance	-	1,936
	36,366	56,936
Deficiency of receipts over expenses	(36,366)	(56,936)
Allocation from unrestricted fund	-	56,000
Research fund balance, end of year	\$ -	\$ 36,366

LUPUS ONTARIO (formerly The Ontario Lupus Association)

SCHEDULE OF ACTIVITIES INCOME

For the year ended September 30,

SCHEDULE 1

	2017	2016
Walks for Lupus	\$ 119,640	\$ 135,780
Italian Dinner	69,858	43,836
Scotia Bank Marathon	11,859	-
Enjo	-	13,671
Milly Spiel	6,051	6,577
Spring Fling	-	3,684
Lakes for Lupus	-	3,442
Stone Grille Restaurant	2,810	-
Jo Colvin Lob Ball	-	2,291
Lupus Bowl	2,099	1,877
Ottawa Door-to-Door	5,481	1,685
Claremont Charity	-	1,190
Wyndance Golf Club	1,438	-
Blooper Ball Tournament	1,400	-
Wedding Cards	1,335	-
Other Activities	3,002	4,763
	\$ 224,973	\$ 218,796

LUPUS ONTARIO (formerly The Ontario Lupus Association)

STATEMENT OF CASH FLOWS

For the year ended September 30,

	2017	2016
Cash provided by (used in):		
Operating activities		
Excess of receipts over expenses - unrestricted fund	\$ 71,782	\$ 75,341
Deficiency of receipts over expenses - research fund	(36,366)	(56,936)
	35,416	18,405
Add item not affecting cash:		
Amortization	648	864
	36,064	19,269
Net changes in non-cash working capital amounts:		
Accounts receivable	4,269	1,197
HST receivable	(373)	(265)
Prepaid expenses	803	6,350
Accounts payable and accrued liabilities	615	(1,109)
Government remittances payable	(26)	(46)
Deferred contributions	(400)	(8,770)
Deferred research contributions	11,721	-
	52,673	16,626
Investing activity		
Short-term investments	(57,635)	(10,587)
Net (decrease) increase in cash during the year	(4,962)	6,039
Cash, beginning of the year	65,520	59,481
Cash, end of the year	\$ 60,558	\$ 65,520

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

Organization and purpose

Lupus Ontario (formerly The Ontario Lupus Association) (the "Association") was incorporated without share capital by letters patent under the Ontario Corporations Act.

The Association raises money to provide support, education, public awareness, and to fund research. The Association offers both support and education to those suffering from Lupus and their families and friends. In addition to funding research, a fellowship is also funded to enable a Rheumatology student an extra year of study. Money is raised by donations, memorials and bequests, memberships and special events.

The Association is a registered charitable organization within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

1. *Summary of 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:

Revenue recognition

The Association follows the deferral method in accounting for revenue, where all contributions and event revenue are recorded when received. Restricted contributions are recorded as revenue in the period in which the related expenses are incurred. Membership fees are recognized over the term of the membership. Interest and investment income is recorded on the accrual basis, as earned.

Short-term investments

Short-term investments in equity instruments that are quoted in an active market are measured at fair value. Changes in fair value are recognized in net income in the period incurred. Transaction costs that are directly attributable to the acquisition of these investments are recognized in net income in the period incurred.

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

1. Summary of significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are recorded at cost. Contributed property, plant and equipment are recorded at fair market value at the date of the contribution. Amortization, based on the estimated useful lives of the assets, is provided using the declining balance method at the following annual rates:

Computer equipment	-	30%
Furniture and fixtures	-	20%

Impairment of long-lived assets

A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Such estimates include the useful lives of property, plant and equipment and allowances for doubtful accounts. Actual results could differ from those estimates. On an ongoing basis, management reviews its estimates, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Donated services/ services in kind

The fair value of donated services and services in kind, where determinable, are not reflected in these statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

1. Summary of significant accounting policies (continued)

Financial instruments

The Association initially measures its financial assets and liabilities at fair value. The Association subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

2. Financial instruments

The significant financial risks to which the Association is exposed are as follows:

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Association's investments in publicly traded securities expose the Association to market risk as such investments are subject to price changes in the open market. The Association does not use derivative financial instruments to alter the effects of this risk.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Association is exposed to credit risk from pledges. The Association monitors the credit risk and credit rating of individuals and entities that have made pledges to the Association and maintains an allowance where collectibility is doubtful.

3. Property, plant and equipment

	2017			2016	
	Cost	Accumulated Amortization	Net Carrying Value	Net Carrying Value	
Computer equipment	\$ 16,063	\$ 15,365	\$ 698	\$ 997	
Furniture and fixtures	6,571	5,176	1,395	1,744	
	\$ 22,634	\$ 20,541	\$ 2,093	\$ 2,741	

LUPUS ONTARIO (formerly The Ontario Lupus Association)

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

4. Deferred contributions

Deferred contributions represent monies designated for the Melissa Salsburg Fund, the Order Eastern Star, Kitchener/Waterloo region work, the Janet Calderone trust, the Gotkin Family fund to be used for operations, Italian dinner in 2018, Hospital for SickKids, the Mary Frances Perpick fund to be used in Sudbury, the Mississauga Legion fund to be used in Mississauga, and the Rotary Club of Barrie fund to be used in the Barrie area.

	September 30, 2016	Receipts	Expenses	Transfer to Deferred Research Contributions	September 30, 2017
Melissa Salsburg Fund	\$ 3,800	\$ 1,200	\$ -	\$ 5,000	\$ -
Order Eastern Star	197	-	59	-	138
Kitchener/ Waterloo	1,507	-	-	-	1,507
Janet Calderone trust	73,878	1,102	-	-	74,980
Gotkin Family	753	761	-	-	1,514
Italian Dinner	-	1,000	-	-	1,000
Mary Frances Perpick	1,751	-	-	-	1,751
Hospital for SickKids	-	615	-	-	615
Mississauga Legion	200	-	200	-	-
Rotary Club of Barrie	750	181	-	-	931
	\$ 82,836	\$ 4,859	\$ 259	\$ 5,000	\$ 82,436

LUPUS ONTARIO (formerly The Ontario Lupus Association)

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

5. Deferred research contributions

Deferred research contributions represent monies received and restricted for research projects. Donations held at year-end for research purposes are as follows:

	September 30, 2016	Receipts	Used for Geoff Carr Fellowship	Transfer from Deferred Contributions	September 30, 2017
Other	\$ -	\$ 6,355	\$ 5,000	\$ 5,000	\$ 6,355
World Lupus Day	-	12,768	11,250	-	1,518
ACT/UCT	-	1,446	-	-	1,446
Membership Campaign	-	14,786	12,384	-	2,402
	\$ -	\$ 35,355	\$ 28,634	\$ 5,000	\$ 11,721

LUPUS ONTARIO (formerly The Ontario Lupus Association)

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

6. Donations, Activities Income and Fundraising Expenses

	Donations and Activities Income (a)	Fundraising Expenses	Net
Walks for Lupus	\$ 119,640	\$ 33,535	\$ 86,105
Italian Dinner	69,858	29,732	40,126
Scotia Bank Marathon	11,859	408	11,451
Milly Spiel	6,051	715	5,336
Stone Grille Restaurant	2,810	46	2,764
Lupus Bowl	2,099	580	1,519
Ottawa Door-to-Door	5,481	94	5,387
Wyndance Golf Club	1,438	-	1,438
Blooper Ball Tournament	1,400	-	1,400
Wedding Cards	1,335	19	1,316
Other Activities	3,002	968	2,034
Indirect expenses (b)	-	49,831	(49,831)
	\$ 224,973	\$ 115,928	\$ 109,045

(a) Donations and Activities Income include receipted donations of \$124,809 for the events.

(b) Indirect expenses include staff time and administration expenses related to fundraising.

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

7. Lease commitments

The Association entered into a lease agreement for office space for a term of 5 years and 3 months, expiring December 31, 2020. The Association also entered into a lease agreement for a photocopier rental for a term of 3 years, expiring June 30, 2020. Future minimum annual payments (excluding taxes, maintenance fees and insurance) are as follows:

	Total	Photocopier	Premises
2018	\$ 14,474	\$ 2,592	\$ 11,882
2019	14,763	2,592	12,171
2020	14,404	1,944	12,460
2021	3,133	-	3,133
	\$ 46,774	\$ 7,128	\$ 39,646

8. Comparative figures

The comparative figures have been reclassified to conform with the current year's presentation.