

LUPUS ONTARIO

*REPORT AND FINANCIAL STATEMENTS
SEPTEMBER 30, 2018*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors, Lupus Ontario

We have audited the accompanying financial statements of Lupus Ontario, which comprise the statement of financial position as at September 30, 2018, 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 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 as at September 30, 2018, 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
January 29, 2019

Gilmore + Company LLP

Chartered Professional Accountants
Licensed Public Accountants

LUPUS ONTARIO*(Incorporated under The Business Corporations Act - Ontario)***STATEMENT OF FINANCIAL POSITION***As at September 30,*

	2018	2017
ASSETS		
Current		
Cash	\$ 52,714	\$ 60,558
Short-term investment	319,253	316,097
Accounts receivable	1,491	3,889
Government remittances receivable	4,832	8,889
Inventory	784	-
Prepaid expenses	3,222	2,289
	382,296	391,722
Property, plant and equipment (Note 3)	1,116	2,093
	\$ 383,412	\$ 393,815
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 16,951	\$ 11,047
FUND BALANCES		
Deferred contributions (Note 4)	77,639	94,157
Unrestricted fund balance (page 2)	288,822	288,611
Research fund balance (page 3)	-	-
	366,461	382,768
	\$ 383,412	\$ 393,815

On behalf of the Board

Director_____
Director

LUPUS ONTARIO**STATEMENT OF OPERATIONS AND UNRESTRICTED FUND BALANCE***For the year ended September 30,*

	2018	2017
Receipts		
Annual health symposium	\$ 5,810	\$ 2,475
Books and literature	1,254	-
Charitable donations	23,089	27,564
Individual membership dues	8,275	8,724
Investment and interest income	18,291	18,009
Italian dinner	81,108	69,858
Memorial donations	22,006	62,975
Milly Spiel	-	6,051
Other activities income	5,604	12,343
Ottawa door to door	5,410	5,481
Research donations	49,302	28,634
Scotia bank marathon	14,090	11,859
Walk for Lupus	147,590	119,640
	381,829	373,613
Expenses		
Administration	57,616	51,734
Fundraising	133,212	115,928
Public Awareness	35,771	31,288
Research funding and clinic support	81,157	35,649
Support and education programs	51,961	44,747
Volunteer Support	21,901	22,485
	381,618	301,831
Excess of receipts over expenses	211	71,782
Unrestricted fund balance, beginning of year	288,611	216,829
Unrestricted fund balance, end of year	\$ 288,822	\$ 288,611

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STATEMENT OF RESEARCH FUND BALANCE

For the year ended September 30,

	2018	2017
Research fund balance, beginning of year	\$ -	\$ 36,366
Receipts	-	-
Expenses		
Geoff Car Fellowship	-	36,366
Deficiency of receipts over expenses	-	(36,366)
Research fund balance, end of year	\$ -	\$ -

LUPUS ONTARIO**STATEMENT OF CASH FLOWS***For the year ended September 30,*

	2018	2017
Cash provided by (used in):		
Operating activities		
Excess of receipts over expenses - unrestricted fund	\$ 211	\$ 71,782
Deficiency of receipts over expenses - research fund	-	(36,366)
	211	35,416
Add item not affecting cash:		
Amortization	279	648
Loss on disposal of capital assets	699	-
	1,189	36,064
Net changes in non-cash working capital amounts:		
Accounts receivable	2,398	4,269
Government remittances receivable	4,057	-
Inventory	(784)	-
Prepaid expenses	(933)	803
Accounts payable and accrued liabilities	5,903	615
Government remittances payable	-	(399)
Deferred contributions	(16,518)	11,321
	(4,688)	52,673
Investing activity		
Short-term investment	(3,156)	(57,635)
Net (decrease) in cash during the year	(7,844)	(4,962)
Cash, beginning of the year	60,558	65,520
Cash, end of the year	\$ 52,714	\$ 60,558

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

Organization and purpose

Lupus Ontario (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. Research contributions are used to fund the Geoff Carr Fellowship which enables a Rheumatology resident to extend their study for a year at an Ontario Lupus Clinic and to perform lupus research. 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.

Inventory

Inventory is stated at the lower of cost and net realizable value. Cost is determined on a first in - first out basis. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable selling costs.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

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:

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.

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.

NOTES TO FINANCIAL STATEMENTS*September 30, 2018***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

	2018			2017		
	Cost	Accumulated Amortization	Net Carrying Value		Net Carrying Value	
Computer equipment	\$ -	\$ -	\$ -	\$ 698		
Furniture and fixtures	6,571	5,455	1,116	1,395		
	\$ 6,571	\$ 5,455	\$ 1,116	\$ 2,093		

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NOTES TO FINANCIAL STATEMENTS

September 30, 2018

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, Ottawa Hospital Lupus Clinic, 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. Research contributions represent monies received and restricted for research projects.

	September 30, 2017	Receipts	Expenses	September 30, 2018
Melissa Salsburg Fund	\$ -	\$ 600	\$ -	\$ 600
Order Eastern Star	138	-	-	138
Kitchener/ Waterloo	1,507	-	826	681
Janet Calderone trust	74,980	2,511	4,000	73,491
Gotkin Family	1,514	569	1,500	583
Italian Dinner	1,000	-	1,000	-
Mary Frances Perpick	1,751	-	469	1,282
Hospital for SickKids	615	-	615	614
Ottawa Hospital Lupus Clinic	-	614	-	-
Mississauga Legion	-	250	-	250
Rotary Club of Barrie	931	-	931	-
Research Contributions	11,721	31,566	43,287	-
	\$ 94,157	\$ 36,110	\$ 52,628	\$ 77,639

NOTES TO FINANCIAL STATEMENTS*September 30, 2018***5. 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
2019	\$ 14,763	\$ 2,592	\$ 12,171
2020	14,404	1,944	12,460
2021	3,133	-	3,133
	\$ 32,300	\$ 4,536	\$ 27,764

6. Comparative figures

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