

# **LUPUS ONTARIO**

*REPORT AND FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020*

## ***INDEPENDENT AUDITOR'S REPORT***

### **To the Board of Directors of Lupus Ontario**

#### **Qualified Opinion**

We have audited the financial statements of Lupus Ontario (the "Association"), which comprise the statement of financial position as at September 30, 2020, and the statements of operations and unrestricted fund balance, 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 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 association 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.

#### **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, assets and 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 association 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 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.

In preparing the financial statements, management is responsible for assessing the Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association'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 association'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 Association'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 association 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.

*Gilmore + Company LLP*

Mississauga, Ontario  
December 15, 2020

Chartered Professional Accountants  
Licensed Public Accountants

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

	2020	2019
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 49,698	\$ 31,790
Short-term investment	1,127,881	603,603
Accounts receivable	12,879	2,050
Government remittances receivable	684	3,265
Inventory	934	934
Prepaid expenses	7,392	1,203
	<b>\$ 1,199,468</b>	<b>\$ 642,845</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 19,349	\$ 39,129
<b>Long-term debt (Note 3)</b>	<b>30,000</b>	<b>-</b>
	<b>49,349</b>	<b>39,129</b>
<b>FUND BALANCES</b>		
<b>Deferred contributions (Note 4)</b>	<b>78,143</b>	<b>82,706</b>
<b>Unrestricted fund balance (page 2)</b>	<b>1,071,976</b>	<b>521,010</b>
	<b>1,150,119</b>	<b>603,716</b>
	<b>\$ 1,199,468</b>	<b>\$ 642,845</b>

On behalf of the Board

\_\_\_\_\_  
Director\_\_\_\_\_  
Director

## LUPUS ONTARIO

### STATEMENT OF OPERATIONS AND UNRESTRICTED FUND BALANCE

For the year ended September 30,

	2020	2019
<b>Receipts</b>		
Walk for Lupus	\$ 58,579	\$ 99,370
Italian Dinner	77,515	72,485
Masquerade Gala	17,725	-
Charitable donations	14,961	28,631
Memorial donations	14,193	12,950
Research donations	46,524	51,410
Scotiabank Marathon	2,430	6,985
Individual membership dues	5,210	5,425
Annual Health Symposium	-	2,084
Ottawa Door to Door	5,982	6,138
Other activities income	2,004	3,351
Bequests	628,272	299,178
Investment and interest income	(47,138)	13,271
Books and literature	50	35
Federal government grant	10,000	-
	<b>836,307</b>	<b>601,313</b>
<b>Expenses</b>		
Administration	33,559	56,654
Fundraising	90,177	124,803
Public awareness	32,174	38,438
Research funding and clinic support	80,537	77,299
Support and education programs	38,191	50,526
Volunteer support	10,703	21,405
	<b>285,341</b>	<b>369,125</b>
<b>Excess of receipts over expenses</b>	<b>550,966</b>	<b>232,188</b>
<b>Unrestricted fund balance, beginning of year</b>	<b>521,010</b>	<b>288,822</b>
<b>Unrestricted fund balance, end of year</b>	<b>\$ 1,071,976</b>	<b>\$ 521,010</b>

## LUPUS ONTARIO

### STATEMENT OF CASH FLOWS

For the year ended September 30,

	2020	2019
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Excess of receipts over expenses - unrestricted fund	\$ 550,966	\$ 232,188
Add items not affecting cash:		
Loss on disposal of capital assets	-	1,116
	<b>550,966</b>	<b>233,304</b>
Net changes in non-cash working capital amounts:		
Accounts receivable	(10,829)	(559)
Government remittances receivable	2,581	1,567
Inventory	-	(150)
Prepaid expenses	(6,189)	2,019
Accounts payable and accrued liabilities	(19,780)	22,178
Deferred contributions	(4,563)	5,067
	<b>512,186</b>	<b>263,426</b>
<b>Financing activity</b>		
Proceeds of long-term debt	30,000	-
<b>Investing activity</b>		
Short-term investment	(524,278)	(284,350)
<b>Net increase (decrease) in cash during the year</b>	<b>17,908</b>	<b>(20,924)</b>
<b>Cash, beginning of the year</b>	<b>31,790</b>	<b>52,714</b>
<b>Cash, end of the year</b>	<b>\$ 49,698</b>	<b>\$ 31,790</b>

***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, 2020*

**1. Summary of significant accounting policies (continued)**

**Government assistance**

Government grants and subsidies, which include the forgivable portion of government loans, are recognized in earnings in the period in which there is reasonable assurance that the Association has complied with the conditions attaching to such government grants and subsidies.

**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 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.

**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.



**NOTES TO FINANCIAL STATEMENTS**

*September 30, 2020*

**2. *Financial instruments (continued)***

**Liquidity risk**

Liquidity risk is the risk that the Association will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to liquidity risk arising primarily from its accounts payable and accrued liabilities. The Association expects to meet its obligations as they come due by generating sufficient cash flow from operations.

**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. *Long-term debt***

Canada Emergency Business Account (CEBA), a Government of Canada loan of \$40,000, bears interest at 0% per annum, repayable on or before December 31, 2022. A repayment of 75% of the loan on or before December 31, 2022 will result in 25% of the loan being forgiven. The forgivable portion of \$10,000 is recognized as income in the current year. If the remaining \$30,000 balance is not repaid on or before December 31, 2022, the loan will then convert to term debt and bear interest at 5% per annum, repayable monthly and maturing on December 31, 2025.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

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, the Mary Frances Perpick fund to be used in Sudbury, the Mississauga Legion fund to be used in Mississauga. Research contributions represent monies received and restricted for research projects and had a \$nil balance at year end.

	September 30, 2019	Receipts	Expenses	September 30, 2020
Melissa Salsburg Fund	\$ 1,800	\$ 1,200	\$ -	\$ 3,000
Order Eastern Star	138	-	-	138
Kitchener/ Waterloo	89	-	-	89
Janet Calderone trust	78,410		5,788	72,622
Gotkin Family	1,037	629	-	1,666
Mary Frances Perpick	982	-	604	378
Mississauga Legion	250	-	-	250
	<u>\$ 82,706</u>	<u>\$ 1,829</u>	<u>\$ 6,392</u>	<u>\$ 78,143</u>

5. *Lease commitment*

The Association entered into a lease agreement for office space for a term of 3 years and 1 month, expiring July 31, 2022. Future minimum annual payments (excluding taxes, maintenance fees and insurance) are as follows:

2021	\$ 12,653
2022	10,544
	<u>\$ 23,197</u>

**NOTES TO FINANCIAL STATEMENTS**

*September 30, 2020*

**6. *Government assistance***

During the year the Association became entitled to receive government assistance through the 10% Temporary Wage Subsidy for Employers (TWS), Canada Emergency Wage Subsidy (CEWS) and Canada Emergency Commercial Rent Assistance (CECRA) programs enacted by the government in response to the COVID-19 (coronavirus) pandemic.

The TWS program was available to eligible employers, such as charities, based on a percent of remuneration paid to eligible employees between the 3-month period of March 18, 2020 to June 19, 2020. The amount receivable from this program during the year was \$197 and has been reported in earnings.

The CEWS program is ongoing and available to all Canadian employers who experienced declines in revenue after March 15, 2020, relative to defined benchmark periods, based on a percent of remuneration paid to eligible employees. The amount receivable from this program during the year was \$30,142 and has been reported in earnings.

The CECRA program was available to eligible organizations, such as charities, who experienced declines in revenue between April and September 2020 and were paying less than \$50,000 per month in gross rent. The amount receivable from this program during the year was \$8,995 and has been reported in earnings.

**7. *COVID-19 and Subsequent events***

During the fiscal year there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. The coronavirus caused the Association to cancel various fundraising events during the year which resulted in a decrease of charitable donation revenue. As a result of the event cancellations, the Association was able to cut expenditures associated with preparing and hosting the events. At this time, it is unknown the full extent of the impact the COVID-19 outbreak may have on the Association as this will depend on future developments which remain highly uncertain and cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.