

LUPUS ONTARIO

*REPORT AND FINANCIAL STATEMENTS
SEPTEMBER 30, 2021*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Lupus Ontario

Qualified Opinion

We have audited the financial statements of Lupus Ontario, which comprise the statement of financial position as at September 30, 2021, and the statements of operations and unrestricted fund balance, internally restricted 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 Lupus Ontario as at September 30, 2021, 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 Lupus Ontario 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 Lupus Ontario 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 Lupus Ontario'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 Lupus Ontario or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Lupus Ontario'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 Lupus Ontario'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 Lupus Ontario'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 Lupus Ontario 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 29, 2021

Chartered Professional Accountants
Licensed Public Accountants

LUPUS ONTARIO

(Incorporated under The Business Corporations Act - Ontario)

STATEMENT OF FINANCIAL POSITION

As at September 30,

	2021	2020
ASSETS		
Current		
Cash	\$ 19,775	\$ 49,698
Short-term investment	1,480,411	1,127,881
Accounts receivable	13,134	12,879
Government remittances receivable	-	684
Inventory	-	934
Prepaid expenses	8,175	7,392
	\$ 1,521,495	\$ 1,199,468
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 15,815	\$ 19,349
Government remittances payable	1,862	-
	17,677	19,349
Long-term debt (Note 3)	40,000	30,000
	57,677	49,349
FUND BALANCES		
Deferred contributions (Note 4)	92,021	78,143
Unrestricted fund balance (page 2)	62,980	1,071,976
Internally restricted fund balance (page 3)	1,308,817	-
	1,463,818	1,150,119
	\$ 1,521,495	\$ 1,199,468

On behalf of the Board

_____ Director

_____ Director

LUPUS ONTARIO

STATEMENT OF OPERATIONS AND UNRESTRICTED FUND BALANCE

For the year ended September 30,

	2021	2020
Receipts		
Investment and interest income	\$ 176,424	\$ (47,138)
Bequests	157,434	628,272
Research donations	113,477	46,524
Walk for Lupus	89,479	58,579
Charitable donations	17,698	14,961
Memorial donations	11,715	14,193
Federal government grant	10,000	10,000
Ottawa Door to Door	7,048	5,982
Books and literature	190	50
Italian Dinner	-	77,515
Masquerade Gala	-	17,725
Individual membership dues	-	5,210
Scotiabank Marathon	-	2,430
Other activities income	-	2,004
	583,465	836,307
Expenses		
Administration	24,017	33,559
Fundraising	39,890	90,177
Public awareness	30,045	32,174
Research funding and clinic support	153,250	80,537
Support and education programs	26,697	38,191
Volunteer support	9,745	10,703
	283,644	285,341
Excess of receipts over expenses	299,821	550,966
Unrestricted fund balance, beginning of year	1,071,976	521,010
Transfer to internally restricted fund balance	(1,308,817)	-
Unrestricted fund balance, end of year	\$ 62,980	\$ 1,071,976

LUPUS ONTARIO

STATEMENT OF INTERNALLY RESTRICTED FUND BALANCE

For the year ended September 30,

	2021	2020
Internally restricted fund balance, beginning of year	\$ -	\$ -
Transfer from unrestricted fund balance	1,308,817	-
Internally restricted fund balance, end of year	\$ 1,308,817	\$ -

LUPUS ONTARIO

STATEMENT OF CASH FLOWS

For the year ended September 30,

	2021	2020
Cash provided by (used in):		
Operating activities		
Excess of receipts over expenses - unrestricted fund	\$ 299,821	\$ 550,966
Net changes in non-cash working capital amounts:		
Accounts receivable	(255)	(10,829)
Government remittances receivable	684	2,581
Inventory	934	-
Prepaid expenses	(783)	(6,189)
Accounts payable and accrued liabilities	(3,534)	(19,780)
Government remittances payable	1,862	-
Deferred contributions	13,878	(4,563)
	312,607	512,186
Financing activity		
Proceeds of long-term debt	10,000	30,000
Investing activity		
Short-term investment	(352,530)	(524,278)
Net (decrease) increase in cash during the year	(29,923)	17,908
Cash, beginning of the year	49,698	31,790
Cash, end of the year	\$ 19,775	\$ 49,698

Organization and purpose

Lupus Ontario was incorporated without share capital by letters patent under the Ontario Corporations Act.

Lupus Ontario raises money to provide support, education, public awareness, and to fund research. Lupus Ontario offers both support and education to those suffering from Lupus and their families and friends. Research contributions are used to fund various accredited Ontario Lupus Clinics, the Ann Matheson Biobank and 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, bequests and special events.

Lupus Ontario 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

Lupus Ontario 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. Interest and investment income is recorded on the accrual basis, as earned. Endowment contributions are recognized as direct increases in net assets in the year.

Endowment/Restricted Funds

Certain major donations or bequests received are restricted as per the donor's request or the organization's Board of Directors. Donor restricted amounts are allocated to deferred contributions. Amounts internally restricted for specific purposes by the Board of Directors are segregated and presented separately from Lupus Ontario's unrestricted fund balance. These funds are maintained separately and invested in fixed income and equity type financial instruments as set out in the Investment Policy guidelines approved by the Board of Directors. The investment income generated on the capital may be used to support activities of the organization as approved by the Board of Directors.

1. Summary of significant accounting policies (continued)

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.

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 Lupus Ontario 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.

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

Financial instruments

Lupus Ontario initially measures its financial assets and liabilities at fair value. Lupus Ontario 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 Lupus Ontario 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. Lupus Ontario's investments in publicly traded securities expose Lupus Ontario to market risk as such investments are subject to price changes in the open market. Lupus Ontario does not use derivative financial instruments to alter the effects of this risk.

Liquidity risk

Liquidity risk is the risk that Lupus Ontario will encounter difficulty in meeting obligations associated with financial liabilities. Lupus Ontario is exposed to liquidity risk arising primarily from its accounts payable and accrued liabilities. Lupus Ontario 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. Lupus Ontario is exposed to credit risk from pledges. Lupus Ontario monitors the credit risk and credit rating of individuals and entities that have made pledges to Lupus Ontario and maintains an allowance where collectibility is doubtful.

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

3. Long-term debt

Canada Emergency Business Account (CEBA), a Government of Canada loan of \$60,000 (2020 - \$40,000), bears interest at 0% per annum, repayable on or before December 31, 2022. A repayment of 67% (2020 - 75%) of the loan on or before December 31, 2022 will result in 33% (2020 - 25%) of the loan being forgiven. The forgivable portion of \$10,000 (2020 - \$10,000) is recognized as income in the current year. If the remaining \$40,000 (2020 - \$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.

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, 2020	Receipts	Expenses	September 30, 2021
Melissa Salsburg Fund	\$ 3,000	\$ 1,280	\$ -	\$ 4,280
Order Eastern Star	138	-	-	138
Kitchener/ Waterloo	89	-	-	89
Janet Calderone trust	72,622	11,612	-	84,234
Gotkin Family	1,666	736	-	2,402
Mary Frances Perpick	378	-	-	378
Mississauga Legion	250	-	-	250
Daughter of Isabella	-	250	-	250
	\$ 78,143	\$ 13,878	\$ -	\$ 92,021

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

5. Lease commitment

Lupus Ontario 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
		<hr/>
	\$	23,197

6. Government assistance

During the year Lupus Ontario became entitled to receive government assistance through the 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 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 \$81,582 (2020 - \$30,142) and has been reported in earnings.

The CECRA program was available to eligible organizations, such as charities, who experienced declines in revenue after April 2020 and were paying less than \$50,000 per month in gross rent. The amount receivable from this program during the year was \$13,030 (2020 - \$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 Lupus Ontario to cancel various fundraising events during the year which resulted in a decrease of charitable donation revenue. As a result of the event cancellations, Lupus Ontario 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 Lupus Ontario 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.