

**Canadian Hemophilia Society –
Société canadienne de l'hémophilie**

Financial Statements
December 31, 2010

May 5, 2011

Independent Auditor's Report

**To the Members of the
Canadian Hemophilia Society – Société canadienne de l'hémophilie**

We have audited the accompanying financial statements of Canadian Hemophilia Society – Société canadienne de l'hémophilie, which comprise the balance sheet as at December 31, 2010 and the statements of revenue and expenses, changes in fund balances and cash flows for the year then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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 from 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 auditor considers 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 audit opinion.

Basis for qualified opinion

In common with many charitable organizations, Canadian Hemophilia Society – Société canadienne de l'hémophilie derives revenue from the general public in the form of donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Canadian Hemophilia Society – Société canadienne de l'hémophilie and we were not able to determine whether any adjustments might be necessary to donation revenue, excess of expenses over revenue, assets and capital.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Canadian Hemophilia Society – Société canadienne de l'hémophilie as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP¹

¹ Chartered accountant auditor permit No. 20263

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Balance Sheet

As at December 31, 2010

						2010	2009
	General Fund	Property and Equipment Fund	Contingencies Fund	Research Fund – Million Dollar Club	Endowment Fund – Million Dollar Club	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Assets							
Current assets							
Cash	637,270	-	-	-	-	637,270	293,434
Term deposits (note 3)	404,589	-	1,000,000	-	-	1,404,589	1,292,171
Accounts receivable							
Provincial chapters	4,221	-	-	25,323	-	29,544	-
Other	131,531	-	-	19,959	-	151,490	252,387
Prepaid expenses	7,338	-	-	-	-	7,338	37,005
	1,184,949	-	1,000,000	45,282	-	2,230,231	1,874,997
Investments – Million Dollar Club (notes 2 and 4)	-	-	-	162,770	1,890,375	2,053,145	1,909,483
Property and equipment (note 5)	-	24,679	-	-	-	24,679	29,211
	1,184,949	24,679	1,000,000	208,052	1,890,375	4,308,055	3,813,691
Liabilities							
Current liabilities							
Accounts payable and accrued liabilities	150,216	-	-	-	-	150,216	284,779
Deferred contributions (note 7)	1,088,519	-	-	-	-	1,088,519	576,938
	1,238,735	-	-	-	-	1,238,735	861,717
Fund Balances							
Unrestricted (note 8)	(53,786)	-	-	-	-	(53,786)	(8,255)
Invested in property and equipment	-	24,679	-	-	-	24,679	29,211
Internally restricted (note 8)							
Contingencies Fund	-	-	1,000,000	-	-	1,000,000	1,000,000
Research Fund – Million Dollar Club	-	-	-	208,052	-	208,052	152,643
Endowment Fund – Million Dollar Club	-	-	-	-	175,277	175,277	175,277
Externally restricted (notes 8 and 9)	-	-	-	-	1,715,098	1,715,098	1,603,098
	(53,786)	24,679	1,000,000	208,052	1,890,375	3,069,320	2,951,974
	1,184,949	24,679	1,000,000	208,052	1,890,375	4,308,055	3,813,691

Approved by the Board of Directors

Director

Director

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Statement of Revenue and Expenses

For the year ended December 31, 2010

				2010	2009
	General Fund \$	Property and Equipment Fund \$	Research Fund – Million Dollar Club \$	Total \$	Total \$
Revenue					
Government support	-	-	-	-	13,234
Public support	394,323	-	21,895	416,218	425,186
Corporate support	1,982,911	-	42,744	2,025,655	2,352,164
Investment income	5,687	-	88,157	93,844	118,199
	2,382,921	-	152,796	2,535,717	2,908,783
Expenses					
Programs (note 11)	1,578,050	2,501	87,000	1,667,551	2,128,986
Resource development	546,935	2,881	-	549,816	560,040
Governance	122,860	-	-	122,860	110,370
Administration	178,970	787	10,387	190,144	204,742
	2,426,815	6,169	97,387	2,530,371	3,004,138
Excess of revenue over expenses (expenses over revenue) for the year	(43,894)	(6,169)	55,409	5,346	(95,355)

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Statement of Changes in Fund Balances

For the year ended December 31, 2010

						2010	2009
	General Fund \$	Property and Equipment Fund \$	Contingencies Fund \$	Research Fund – Million Dollar Club \$	Endowment Fund – Million Dollar Club \$	Total \$	Total \$
Balance – Beginning of year	(8,255)	29,211	1,000,000	152,643	1,778,375	2,951,974	3,037,230
Excess of revenue over expenses (expenses over revenue) for the year	(43,894)	(6,169)	-	55,409	-	5,346	(95,355)
Endowment contributions (note 10)	-	-	-	-	112,000	112,000	10,099
Investment in property and equipment	(1,637)	1,637	-	-	-	-	-
Balance – End of year	(53,786)	24,679	1,000,000	208,052	1,890,375	3,069,320	2,951,974

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Statement of Cash Flows

For the year ended December 31, 2010

	2010 \$	2009 \$
Cash flows from		
Operating activities		
Excess of revenue over expenses (expenses over revenue) for the year	5,346	(95,355)
Adjustments for		
Unrealized gain on investments – Million Dollar Club	(7,897)	(14,922)
Amortization of property and equipment	6,169	7,302
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	3,618	(102,975)
Changes in non-cash working capital items		
Decrease in accounts receivable	71,353	32,843
Decrease (increase) in prepaid expenses	29,667	(33,106)
Increase (decrease) in accounts payable and accrued liabilities	(134,563)	88,209
Increase (decrease) in deferred contributions	511,581	(122,289)
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	481,656	(137,318)
Financing activities		
Endowment contributions equity	<hr/>	<hr/>
	112,000	10,099
Investing activities		
Net decrease (increase) in investments	(248,183)	9,099
Acquisition of property and equipment	(1,637)	(2,671)
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	(249,820)	6,428
Net change in cash during the year	343,836	(120,791)
Cash – Beginning of year	<hr/>	<hr/>
	293,434	414,225
Cash – End of year	<hr/>	<hr/>
	637,270	293,434

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2010

1 Organization and purpose

The Canadian Hemophilia Society – Société canadienne de l'hémophilie (the "Society") is a not-for-profit organization formed for the purpose of improving the quality of life of all persons with an inherited bleeding disorder. The Society's ultimate goal is to find a cure. In addition, it promotes research to prevent the suffering of persons with an inherited bleeding disorder.

2 Significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include the following significant accounting policies.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial instruments

The Society accounts for its financial instruments using the guidance contained in particular in Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3861, "Financial Instruments – Disclosure and Presentation"; Section 1530, "Comprehensive Income"; and Section 3855, "Financial Instruments – Recognition and Measurement". It has not adopted Section 3862, "Financial Instruments – Disclosures", and Section 3863, "Financial Instruments – Presentation", as permitted for not-for-profit organizations.

Financial assets are classified as "held for trading" or "loans and receivables" depending on their characteristics and the objective pertaining to their acquisition. Financial liabilities are classified as "other financial liabilities".

Financial assets held for trading, which are the term deposits and the investments – Million Dollar Club, are accounted for at market value.

Loans and receivables and financial liabilities are accounted for at unamortized cost using the effective interest rate method. Revenues and interest fees, if any, on these assets and liabilities are recorded in the results for the year.

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2010

Fund accounting

The Society uses the fund accounting method to record its activities.

a) General Fund

The General Fund reports the assets, liabilities, revenues and expenses related to program delivery and administrative activities.

b) Property and Equipment Fund

The Property and Equipment Fund reports the assets, liabilities, revenues and expenses related to property and equipment.

c) Contingencies Fund

The Contingencies Fund was created following a decision of the Board of Directors to ensure the continuity of operations for a certain period of time in the event of a difficult financial situation and to fulfill special commitments approved by the Board.

d) Research Fund – Million Dollar Club

The Research Fund – Million Dollar Club reports the assets, liabilities and expenses related to research, investment income earned on resources of the Endowment Fund – Million Dollar Club, and non-endowment contributions.

e) Endowment Fund – Million Dollar Club

The Endowment Fund – Million Dollar Club reports endowment contributions and amounts transferred from the General Fund and the Research Fund – Million Dollar Club. Investment income earned on resources of the Endowment Fund – Million Dollar Club is recorded in the Research Fund – Million Dollar Club.

Received as endowment

Amounts received as endowments must be maintained permanently, and the related net investment income must be used to finance research.

Received as new endowment

Amounts received as new endowments and the related investment income must be maintained until the total of endowments and new endowments grows to \$1,600,000. As at December 31, 2005, the Endowment Fund reached the amount of \$1,600,000; consequently, the investment income earned on the resources of the Endowment Fund – Million Dollar Club in 2010 has been recorded in the Research Fund – Million Dollar Club.

Canadian Hemophilia Society – Société canadienne de l'hémophilie

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Revenue recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. When the funds received for a project exceed the amounts disbursed, the excess is recognized in revenue when the project is completed. Unrestricted contributions are recognized as revenue in the appropriate fund when received or as receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as direct increases in the Endowment Fund – Million Dollar Club balance.

Interest is recorded on an accrual basis when collection is considered probable.

Gains and losses on disposal of investments – Million Dollar Club are included in investment income and recorded at the date of sale.

Property and equipment

Property and equipment are recorded at cost and are amortized using the declining balance method at the annual rate of 20%.

Contributed services

Volunteers contribute numerous hours per year to assist the Society in carrying out its service delivery activities. Because of the difficulty of determining their fair value, the contributed services are not recognized in the financial statements.

Allocation of charges

The Society presents its expenses by function in the statement of revenue and expenses, which requires the allocation of certain public fundraising expenses and some general operating expenses to the various related functions.

The expenses for fundraising consist of the salaries and social benefits of employees assigned to this duty. These expenses in the amount of \$310,167 (2009 – \$278,729) are all included in the resource development function.

Operating expenses are mainly composed of rent, consulting fees and office expenses. These expenses are allocated between the administration, programs and resource development functions according to a distribution key based on the number of hours directly attributable to each function. Other operating expenses, including salaries, are directly allocated to the related function.

Income taxes

The Society is a not-for-profit organization and is therefore exempt from income taxes.

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2010

3 Term deposits

Term deposits comprise guaranteed investment certificates which bear interest and mature as follows:

		\$
January 2011	1.04%	200,000
January 2011	1.07%	604,589
November 2011	0.90%	200,000
June 2012	1.85%	400,000
		<u>1,404,589</u>

4 Investments – Million Dollar Club

The types of investments, at market value, are summarized as follows:

	2010 \$	2009 \$
Government bonds	1,158,605	1,253,065
Corporate bonds	666,097	600,097
Money market funds	228,443	56,321
	<u>2,053,145</u>	<u>1,909,483</u>

Maturities of government and corporate bonds:

	2010 \$	2009 \$
Current	204,860	203,882
Between one and three years	414,915	213,197
Between three and five years	448,557	745,457
More than five years	756,370	690,626
	<u>1,824,702</u>	<u>1,853,162</u>

As at December 31, 2010, the average rate of return on the investments – Million Dollar Club was 4.79% (2009 – 5.06%).

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2010

5 Property and equipment

			<u>2010</u>	<u>2009</u>
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Office furniture and equipment	111,457	105,953	5,504	6,878
Computer equipment	50,250	31,075	19,175	22,333
	<u>161,707</u>	<u>137,028</u>	<u>24,679</u>	<u>29,211</u>

6 Credit facility

As at December 31, 2010, the Society had access to an unused credit facility of \$200,000, bearing interest at prime rate plus 0.5% and renewable annually. An investment in the amount of \$200,000 has been given as security for the credit facility.

7 Deferred contributions

Deferred contributions represent unspent resources externally restricted for the following projects, programs and activities:

	<u>2010</u>	<u>2009</u>
	\$	\$
Benefactors Club	150,000	-
Medical/Scientific Symposium (Rendez-vous 2011)	60,000	-
Standards of Care	5,000	-
Nursing projects	287,094	262,172
Care Until Cure Research Program	400,729	195,729
International projects	77,496	85,997
Gale and Rick Stone Learning Fund	-	23,134
Physiotherapy projects	8,700	7,406
Drive Your Car/Drive Your Care	25,000	2,500
Scholarships and Bursaries Program	15,000	-
Youth Leadership Program	30,000	-
Von Willebrand Disease Awareness	10,000	-
Family Planning Options	5,500	-
Factor First Program	4,000	-
Women and Bleeding Disorders Program	10,000	-
	<u>1,088,519</u>	<u>576,938</u>

Canadian Hemophilia Society – Société canadienne de l'hémophilie

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8 Capital

The Society manages its capital in order to attain the following objectives:

- preserve the capacity to pay for expenses in research and programs;
- finance current and future operations;
- ensure that the Society is able to respect its financial obligations when they become due; and
- establish a reserve in case of a sudden decrease in revenues or to satisfy urgent expenditure needs for programs.

The following table summarizes the Society's capital structure as at December 31, 2010:

	2010	2009
	\$	\$
Fund balances		
Unrestricted	(53,786)	(8,255)
Internally restricted	1,383,329	1,327,920
Externally restricted	1,715,098	1,603,098
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Total	3,044,641	2,922,763

9 Externally restricted resources

Externally restricted resources represent the portion of the Endowment Fund – Million Dollar Club that must be permanently maintained.

10 Endowment contributions

	2010	2009
	\$	\$
Canadian Hemophilia Society		
British Columbia Chapter	10,000	-
Northern Alberta Chapter	100,000	-
Quebec Chapter	-	10,000
New Brunswick Chapter	1,500	-
Other contributions	500	99
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	112,000	10,099

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2010

11 Programs

Program expenses are detailed as follows:

	2010	2009
	\$	\$
Care and treatment	257,797	242,484
Awareness	27,050	55,024
Research	442,507	559,338
Education and support	255,376	318,476
Safe and secure supply	60,953	316,136
International development	45,715	54,777
Chapter support program	167,745	156,540
Salaries and benefits	311,392	306,265
Operating expenses	99,016	119,946
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	1,667,551	2,128,986

12 Allocation of expenses

Operating expenses are allocated in the following manner for the different functions:

	2010			
	Resource development	Programs	Administration	Total
	\$	\$	\$	\$
Operating expenses	73,846	99,016	94,211	267,073
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	Resource development	Programs	Administration	Total
	\$	\$	\$	\$
Operating expenses	82,881	119,946	110,442	313,269

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2010

13 Commitments

The Society is committed to operating leases whereby the minimum required payments for the next four years are as follows:

	\$
2011	77,916
2012	69,955
2013	67,622
2014	57,475

14 Employee pension plan

The Society has a defined contribution pension plan for its employees. The Society's contribution equals 5% of the employees' annual wages for those who have completed a two-year service period.

In 2010, the total expense for the pension plan, which represents the Society's contribution, amounted to \$28,827 (2009 – \$23,616).

15 Financial instruments

Interest rate risk

As at December 31, 2010, the Society's exposure to interest rate risk is summarized as follows:

Cash	Variable interest rate
Term deposits	Fixed interest rate as described in note 3
Accounts receivable	Non-interest bearing
Investments – Million Dollar Club	Fixed interest rate from 3.25% to 8.50%
Accounts payable and accrued liabilities	Non-interest bearing

Credit risk

Financial instruments subject to credit risk for the Society are cash, accounts receivable and the investments – Million Dollar Club allocated to the Endowment and Research funds. The value of the assets on the balance sheet represents the maximum exposure to credit risk. The Society has invested its assets with recognized financial institutions. Management believes that no significant credit risk exists as at December 31, 2010.

Fair value

The Society has estimated the fair value of its financial instruments based on the market value. Unless otherwise indicated, the market value of these financial instruments is similar to their carrying value.

Canadian Hemophilia Society – Société canadienne de l'hémophilie

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16 Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted for the current year.

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Additional Information

For the year ended December 31, 2010

Additional information to comply with the disclosure requirement of the *Charitable Fund-raising Act and Regulation of the Province of Alberta*

Expenses incurred for the purposes of fundraising and already included in the statement of revenue and expenses are the following:

	2010	2009
	\$	\$
Salaries and benefits	310,167	278,729
Direct cost – Telemarketing	40,397	49,657
Direct cost – Direct mail	27,158	41,507
Consulting fees and other expenses	16,664	19,173
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	394,386	389,066
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