

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

Financial Statements
December 31, 2011



May 14, 2012

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, 2011 and the statements of revenue and expenses, changes in fund balances and cash flows for the year then ended, and the related notes, which comprise 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 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.

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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 charitable organizations, Canadian Hemophilia Society – Société canadienne de l'hémophilie derives revenues 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. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenue over expenses, 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, 2011 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, 2011

						2011	2010
	General Fund \$	Property and Equipment Fund \$	Contingencies Fund \$	Research Fund – Million Dollar Club \$	Endowment Fund – Million Dollar Club \$	Total \$	Total \$
Assets							
Current assets							
Cash	728,897	-	-	-	-	728,897	637,270
Term deposits (note 4)	200,000	-	600,000	-	-	800,000	1,004,589
Accounts receivable							
Provincial chapters	14,939	-	-	40,284	-	55,223	29,544
General Fund	-	-	-	50,000	-	50,000	-
Other	169,887	-	-	26,900	-	196,787	151,490
Prepaid expenses	7,725	-	-	-	-	7,725	7,338
	1,121,448	-	600,000	117,184	-	1,838,632	1,830,231
Term deposit, 2.7%, maturing in February 2014	-	-	400,000	-	-	400,000	400,000
Investments – Million Dollar Club (notes 2 and 5)	-	-	-	197,787	1,959,700	2,157,487	2,053,145
Property and equipment (note 6)	-	25,041	-	-	-	25,041	24,679
	1,121,448	25,041	1,000,000	314,971	1,959,700	4,421,160	4,308,055
Liabilities							
Current liabilities							
Accounts payable and accrued liabilities	225,794	-	-	-	-	225,794	150,216
Account payable to Research Fund – Million Dollar Club	50,000	-	-	-	-	50,000	-
Deferred contributions (note 8)	854,627	-	-	-	-	854,627	1,088,519
	1,130,421	-	-	-	-	1,130,421	1,238,735
Fund Balances							
Unrestricted (note 9)	(8,973)	-	-	-	-	(8,973)	(53,786)
Invested in property and equipment	-	25,041	-	-	-	25,041	24,679
Internally restricted (note 9)							
Contingencies Fund	-	-	1,000,000	-	-	1,000,000	1,000,000
Research Fund – Million Dollar Club	-	-	-	314,971	-	314,971	208,052
Endowment Fund – Million Dollar Club	-	-	-	-	175,277	175,277	175,277
Externally restricted (notes 9 and 10)	-	-	-	-	1,784,423	1,784,423	1,715,098
	(8,973)	25,041	1,000,000	314,971	1,959,700	3,290,739	3,069,320
	1,121,448	25,041	1,000,000	314,971	1,959,700	4,421,160	4,308,055

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, 2011

				2011	2010
	General Fund \$	Property and Equipment Fund \$	Research Fund – Million Dollar Club \$	Total \$	Total \$
Revenue					
Public support	354,100	-	7,872	361,972	416,218
Corporate support	1,969,204	-	22,638	1,991,842	2,025,655
Investment income	23,908	-	131,576	155,484	93,844
Government support	3,505	-	-	3,505	-
	<u>2,350,717</u>	<u>-</u>	<u>162,086</u>	<u>2,512,803</u>	<u>2,535,717</u>
Expenses					
Programs (note 13)	1,615,123	2,716	94,000	1,711,839	1,667,551
Resource development	375,251	2,690	-	377,941	549,816
Governance	78,502	-	-	78,502	122,860
Administration	180,405	855	11,167	192,427	190,144
	<u>2,249,281</u>	<u>6,261</u>	<u>105,167</u>	<u>2,360,709</u>	<u>2,530,371</u>
Excess of revenue over expenses (expenses over revenue) for the year	<u>101,436</u>	<u>(6,261)</u>	<u>56,919</u>	<u>152,094</u>	<u>5,346</u>

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Statement of Changes in Fund Balances

For the year ended December 31, 2011

						2011	2010
	General Fund \$	Property and Equipment Fund \$	Contingencies Fund \$	Research Fund – Million Dollar Club \$	Endowment Fund – Million Dollar Club \$	Total \$	Total \$
Balance – Beginning of year	(53,786)	24,679	1,000,000	208,052	1,890,375	3,069,320	2,951,974
Excess of revenue over expenses (expenses over revenue) for the year	101,436	(6,261)	-	56,919	-	152,094	5,346
Endowment contributions (note 12)	-	-	-	-	69,325	69,325	112,000
Investment in property and equipment	(6,623)	6,623	-	-	-	-	-
Transfer to Research Fund – Million Dollar Club (note 11)	(50,000)	-	-	50,000	-	-	-
Balance – End of year	(8,973)	25,041	1,000,000	314,971	1,959,700	3,290,739	3,069,320

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Statement of Cash Flows

For the year ended December 31, 2011

	2011 \$	2010 \$
Cash flows from		
Operating activities		
Excess of revenue over expenses for the year	152,094	5,346
Adjustments for		
Unrealized gain on investments – Million Dollar Club	(50,671)	(7,897)
Amortization of property and equipment	6,261	6,169
	<u>107,684</u>	<u>3,618</u>
Changes in non-cash working capital items		
Decrease (increase) in		
Accounts receivable	(120,976)	71,353
Prepaid expenses	(387)	29,667
Increase (decrease) in		
Accounts payable and accrued liabilities	125,578	(134,563)
Deferred contributions	(233,892)	511,581
	<u>(121,993)</u>	<u>481,656</u>
Financing activities		
Endowment contributions	<u>69,325</u>	<u>112,000</u>
Investing activities		
Net decrease (increase) in investments	150,918	(248,183)
Acquisition of property and equipment	(6,623)	(1,637)
	<u>144,295</u>	<u>(249,820)</u>
Net change in cash during the year	91,627	343,836
Cash – Beginning of year	<u>637,270</u>	<u>293,434</u>
Cash – End of year	<u>728,897</u>	<u>637,270</u>

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2011

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 as 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 comprise term deposits and investments – Million Dollar Club, are recognized at fair value.

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

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2011

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 2011 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 \$218,603 (2010 – \$310,167) 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.

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December 31, 2011

3 New accounting policies

New accounting policies not adopted

The Society will cease to prepare its financial statements in accordance with Canadian GAAP as set out in Part V of the CICA Handbook – Accounting (“Canadian GAAP”) for the periods beginning on January 1, 2012 when it will start to apply Canadian Accounting Standards for not-for-profit organizations as set out in Part III of the CICA Handbook – Accounting as its primary basis of accounting. Consequently, future accounting changes to Canadian GAAP are not discussed in these financial statements as they will normally never be applied by the Society.

4 Term deposits

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

		\$
June 2012	1.85%	400,000
June 2012	1.35%	200,000
November 2012	0.90%	<u>200,000</u>
		<u>800,000</u>

5 Investments – Million Dollar Club

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

	2011 \$	2010 \$
Government bonds	1,146,191	1,158,605
Corporate bonds	920,472	666,097
Money market funds	90,824	<u>228,443</u>
	<u>2,157,487</u>	<u>2,053,145</u>

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Maturities of government and corporate bonds:

	2011 \$	2010 \$
Current	-	204,860
Between one and three years	811,122	414,915
Between three and five years	441,255	448,557
More than five years	814,286	756,370
	<hr/> 2,066,663	<hr/> 1,824,702

As at December 31, 2011, the average rate of return on the investments – Million Dollar Club was 6.35% (2010 – 4.79%).

6 Property and equipment

	<hr/> 2011		<hr/> 2010	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Office furniture and equipment	111,457	107,054	4,403	5,504
Computer equipment	56,873	36,235	20,638	19,175
	<hr/> 168,330	<hr/> 143,289	<hr/> 25,041	<hr/> 24,679

7 Credit facility

As at December 31, 2011, the Society had access to an unused credit facility of \$200,000 (unused as at December 31, 2010), 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.

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

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8 Deferred contributions

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

	2011 \$	2010 \$
Care Until Cure Research Program	403,198	400,729
Nursing projects	216,111	287,094
International projects	83,951	77,496
Hemostasis Fellowship Program	37,500	-
Passport for Well-being	30,000	-
Women and Bleeding Disorders Program	30,000	10,000
Scholarships and Bursaries Program	15,000	15,000
Physiotherapy projects	11,700	8,700
Von Willebrand Disease Awareness	10,000	10,000
Standards of Care	6,667	5,000
Canadian Museum for Human Rights – Video	5,500	5,500
Network of Rare Blood Disorders Organizations	5,000	-
Benefactors Club	-	150,000
Drive Your Car/Drive Your Care	-	25,000
Factor First Program	-	4,000
Medical/Scientific Symposium (Rendez-vous 2011)	-	60,000
Youth Leadership Program	-	30,000
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	854,627	1,088,519

9 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 revenue or to satisfy urgent expenditure needs for programs.

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The following table summarizes the Society's capital structure as at December 31, 2011:

	2011 \$	2010 \$
Fund balances		
Unrestricted	(8,973)	(53,786)
Internally restricted	1,490,248	1,383,329
Externally restricted	1,784,423	1,715,098
Total	<u>3,265,698</u>	<u>3,044,641</u>

10 Externally restricted resources

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

11 Transfer

The Society pledged to match chapter and individual fundraising for the Hemophilia Research Million Dollar Club in 2011 to a maximum of \$50,000. These funds are thereby transferred from the General Fund to the Research Fund – Million Dollar Club for research spending.

12 Endowment contributions

	2011 \$	2010 \$
Canadian Hemophilia Society		
Northern Alberta Chapter	25,000	100,000
British Columbia Chapter	5,000	10,000
Newfoundland and Labrador Chapter	2,500	-
New Brunswick Chapter	2,000	1,500
Saskatchewan Chapter	1,451	-
Nova Scotia Chapter	1,000	-
Other contributions	32,374	500
	<u>69,325</u>	<u>112,000</u>

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13 Programs

Program expenses are detailed as follows:

	2011 \$	2010 \$
Research	422,818	442,507
Salaries and benefits	362,258	311,392
Care and treatment	323,920	257,797
Chapter support program	198,233	167,745
Education and support	182,652	255,376
Operating expenses	102,285	99,016
Awareness	52,417	27,050
Safe and secure supply	44,646	60,953
International development	22,610	45,715
	1,711,839	1,667,551

14 Allocation of expenses

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

	2011			
	Programs \$	Resource development \$	Administration \$	Total \$
Operating expenses	102,285	61,017	92,273	255,575
	2010			
	Programs \$	Resource development \$	Administration \$	Total \$
Operating expenses	99,016	73,846	94,211	267,073

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Notes to Financial Statements

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15 Commitments

- a) The Society is committed to operating leases whereby the minimum required payments for the next five years are as follows:

	\$
2012	75,494
2013	75,494
2014	64,605
2015	3,440
2016	2,864

- b) The Society has also agreed to pay an amount of \$37,500 as a research grant to a researcher in the next year (2010 – \$12,500).

16 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 2011, the total expense for the pension plan, which represents the Society's contribution, amounted to \$25,624 (2010 – \$28,827).

17 Financial instruments

Interest rate risk

As at December 31, 2011, the Society's exposure to interest rate risk is summarized as follows:

Cash	Variable interest rate
Term deposits	Fixed interest rates as described in note 4
Accounts receivable	Non-interest bearing
Investments – Million Dollar Club	Fixed interest rates from 1.85% to 8.00%
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, 2011.

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Fair value

The Society has determined the fair value of its financial instruments based on estimates and assumptions.

The fair value of current financial assets and financial liabilities, which consist of cash, accounts receivable, and accounts payable and accrued liabilities, approximates their carrying value due to their relatively short terms to maturity.

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Additional Information

For the year ended December 31, 2011

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:

	2011	2010
	\$	\$
Salaries and benefits	218,603	310,167
Direct cost – Telemarketing	38,902	40,397
Direct cost – Direct mail	22,968	27,158
Consulting fees and other expenses	12,435	16,664
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	292,908	394,386
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