

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

Financial Statements
December 31, 2014



April 26, 2015

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 the Canadian Hemophilia Society – Société canadienne de l'hémophilie, which comprise the balance sheet as at December 31, 2014 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 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 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.

*PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2800, Montréal, Quebec, Canada H3B 2G4
T: +1 514 205 5000, F: +1 514 876 1502*



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, the 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 to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Canadian Hemophilia Society – Société canadienne de l'hémophilie. Therefore, we were not able to determine whether any adjustments might be necessary to donations, excess of revenues over expenses and cash flows from operations for the years ended December 31, 2014 and 2013, current assets as at December 31, 2014 and 2013 and net assets as at January 1 and December 31 for the years ended December 31, 2014 and 2013. Our audit opinion on the financial statements for the year ended December 31, 2013 was modified accordingly because of the possible effects of this limitation in scope.

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 the Canadian Hemophilia Society – Société canadienne de l'hémophilie as at December 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP¹

¹ CPA auditor, CA, public accountancy permit No. A123642

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Balance Sheet

As at December 31, 2014

						2014	2013
	General Fund \$	Property and Equipment Fund \$	Contingencies Fund \$	Research Fund – Million Dollar Club \$	Endowment Fund – Million Dollar Club \$	Total \$	Total \$
Assets							
Current assets							
Cash	1,249,395	-	-	-	-	1,249,395	1,037,568
Term deposits (note 3)	416,013	-	200,000	-	-	616,013	600,000
Investments – Million Dollar Club (note 4)	-	-	-	-	183,836	183,836	380,759
Accounts receivable							
Provincial chapters	145	-	-	-	5,000	5,145	42,533
General Fund	-	-	-	50,000	-	50,000	50,000
Other	188,855	-	-	17,796	1,600	208,251	102,248
Prepaid expenses	135,967	-	-	-	-	135,967	161,546
	1,990,375	-	200,000	67,796	190,436	2,448,607	2,374,654
Lease deposit	4,685	-	-	-	-	4,685	-
Term deposits (note 3)	42,915	-	800,000	-	-	842,915	825,607
Investments – Million Dollar Club (note 4)	-	-	-	140,749	1,994,604	2,135,353	1,830,299
Property and equipment (note 5)	-	17,272	-	-	-	17,272	20,687
	2,037,975	17,272	1,000,000	208,545	2,185,040	5,448,832	5,051,247
Liabilities							
Current liabilities							
Accounts payable and accrued liabilities (note 6)	142,772	-	-	-	-	142,772	148,788
Account payable to Research Fund – Million Dollar Club	50,000	-	-	-	-	50,000	50,000
Deferred contributions (note 8)	1,619,516	-	-	-	-	1,619,516	1,334,289
	1,812,288	-	-	-	-	1,812,288	1,533,077
Fund Balances							
Unrestricted (note 9)	225,687	-	-	-	-	225,687	182,081
Invested in property and equipment	-	17,272	-	-	-	17,272	20,687
Internally restricted (note 9)							
Contingencies Fund	-	-	1,000,000	-	-	1,000,000	1,000,000
Research Fund – Million Dollar Club	-	-	-	208,545	-	208,545	205,629
Endowment Fund – Million Dollar Club	-	-	-	-	175,277	175,277	175,277
Externally restricted (notes 9 and 10)	-	-	-	-	2,009,763	2,009,763	1,934,496
	225,687	17,272	1,000,000	208,545	2,185,040	3,636,544	3,518,170
	2,037,975	17,272	1,000,000	208,545	2,185,040	5,448,832	5,051,247

Commitments (note 15)

Approved by the Board of Directors

_____ Director _____ Director

The accompanying notes are an integral part of these financial statements.

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Statement of Revenue and Expenses

For the year ended December 31, 2014

	2014			2013	
	General Fund \$	Property and Equipment Fund \$	Research Fund – Million Dollar Club \$	Total \$	Total \$
Revenue					
Public support	271,545	-	34,607	306,152	292,435
Corporate support	1,840,753	-	10,238	1,850,991	1,690,831
Investment income	30,054	-	82,167	112,221	71,833
	<u>2,142,352</u>	<u>-</u>	<u>127,012</u>	<u>2,269,364</u>	<u>2,055,099</u>
Expenses					
Programs (note 13)	1,452,483	1,991	162,000	1,616,474	1,425,237
Resource development (note 13)	326,905	1,699	-	328,604	282,872
Governance (note 14)	69,038	-	-	69,038	77,786
Administration (note 14)	199,418	627	12,096	212,141	204,374
	<u>2,047,844</u>	<u>4,317</u>	<u>174,096</u>	<u>2,226,257</u>	<u>1,990,269</u>
Excess of revenue over expenses (expenses over revenue) for the year	<u>94,508</u>	<u>(4,317)</u>	<u>(47,084)</u>	<u>43,107</u>	<u>64,830</u>

The accompanying notes are an integral part of these financial statements.

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Statement of Changes in Fund Balances

For the year ended December 31, 2014

						2014	2013
	General Fund \$	Property and Equipment Fund \$	Contingencies Fund \$	Research Fund – Million Dollar Club \$	Endowment Fund – Million Dollar Club \$	Total \$	Total \$
Balance – Beginning of year	182,081	20,687	1,000,000	205,629	2,109,773	3,518,170	3,358,414
Excess of revenue over expenses (expenses over revenue) for the year	94,508	(4,317)	-	(47,084)	-	43,107	64,830
Endowment contributions (note 12)	-	-	-	-	75,267	75,267	94,926
Investment in property and equipment	(902)	902	-	-	-	-	-
Transfer to Research Fund – Million Dollar Club (note 11)	(50,000)	-	-	50,000	-	-	-
Balance – End of year	225,687	17,272	1,000,000	208,545	2,185,040	3,636,544	3,518,170

The accompanying notes are an integral part of these financial statements.

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Statement of Cash Flows

For the year ended December 31, 2014

	2014 \$	2013 \$
Cash flows from		
Operating activities		
Excess of revenue over expenses for the year	43,107	64,830
Adjustments for		
Increase in lease deposit	(4,685)	-
Amortization of property and equipment	4,317	5,173
Unrealized loss (gain) on investments – Million Dollar Club	(1,953)	31,363
	<u>40,786</u>	<u>101,366</u>
Changes in non-cash working capital items		
Decrease (increase) in		
Accounts receivable	(68,615)	(762)
Prepaid expenses	25,579	(157,313)
Increase (decrease) in		
Accounts payable and accrued liabilities	(6,016)	(51,135)
Deferred contributions	285,227	214,638
	<u>276,961</u>	<u>106,794</u>
Investing activities		
Disposition of property and equipment	(902)	(5,183)
Purchase of investments	(1,789,277)	(1,415,426)
Disposition of investments	1,683,099	1,335,787
Purchase of term deposits	(633,321)	(366,895)
Disposition of term deposits	600,000	364,672
	<u>(140,401)</u>	<u>(87,045)</u>
Financing activities		
Endowment contributions	<u>75,267</u>	<u>94,926</u>
Increase in cash	211,827	114,675
Cash – Beginning of year	<u>1,037,568</u>	<u>922,893</u>
Cash – End of year	<u>1,249,395</u>	<u>1,037,568</u>

The accompanying notes are an integral part of these financial statements.

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2014

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 aimed at alleviating the suffering of persons with an inherited bleeding disorder.

2 Significant accounting policies

Basis of preparation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Use of estimates

The preparation of financial statements in conformity with ASNPO 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

Measurement of financial instruments

The Society initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions. The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for cash and investments – Million Dollar Club, which are measured at fair value. Changes in fair value are recognized in excess of revenue over expenses.

Financial assets measured at amortized cost consist of term deposits and accounts receivable. Financial assets measured at fair value consist of cash and investments – Million Dollar Club.

Financial liabilities measured at amortized cost consist of accounts payable and accrued liabilities.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the writedown is recognized in excess of revenue over expenses. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of revenue over expenses.

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2014

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 that it has approved.

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 has reached the amount of \$1,600,000; consequently, the investment income earned on the resources of the Endowment Fund – Million Dollar Club in 2014 has been recorded in the Research Fund – Million Dollar Club.

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2014

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 disposition of investments – Million Dollar Club are included in investment income and recorded at the date of sale.

Property and equipment

Property and equipment are initially recorded at cost and are amortized using the declining balance method at an 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, 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 \$235,121 (2013 – \$184,238) 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 programs, resource development and administration 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, 2014

3 Term deposits

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

	%	\$
Short-term		
January 2015	2.00	164,672
March 2015	1.40	86,669
July 2015	2.15	164,672
November 2015	0.80	200,000
		<hr/>
		616,013
		<hr/>
Long-term		
March 2016	1.70	86,669
July 2016	2.45	164,672
September 2016	2.00	86,669
July 2017	2.50	164,672
March 2018	2.30	86,669
July 2018	2.40	166,895
March 2019	2.50	86,669
		<hr/>
		842,915
		<hr/>

4 Investments – Million Dollar Club

Types of investments, at market value, are summarized as follows:

	2014	2013
	\$	\$
Government bonds	182,198	740,109
Corporate bonds	722,306	854,846
Funds	1,414,685	616,103
	<hr/>	<hr/>
	2,319,189	2,211,058
	<hr/>	<hr/>

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2014

Maturities of government and corporate bonds are as follows:

	2014 \$	2013 \$
Current	181,974	380,759
Between one and three years	548,519	449,707
Between three and five years	53,694	593,921
More than five years	120,317	170,568
	<hr/> 904,504	<hr/> 1,594,955

As at December 31, 2014, the average rate of return on investments – Million Dollar Club was 3.73% (2013 – 1.83%).

5 Property and equipment

	2014		
	Cost \$	Accumulated amortization \$	Net \$
Office furniture and equipment	111,457	109,203	2,254
Computer equipment	63,763	48,745	15,018
	<hr/> 175,220	<hr/> 157,948	<hr/> 17,272
	2013		
	Cost \$	Accumulated amortization \$	Net \$
Office furniture and equipment	111,457	108,640	2,817
Computer equipment	62,861	44,991	17,870
	<hr/> 174,318	<hr/> 153,631	<hr/> 20,687

6 Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances in the amount of \$2,347 as at December 31, 2014 (2013 – \$2,447).

Government remittances consist mainly of payroll withholding taxes required to be paid to government authorities and are recognized when the amounts become due.

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2014

7 Credit facility

As at December 31, 2014, the Society had access to an unused credit facility of \$200,000 (unused as at December 31, 2013), 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.

8 Deferred contributions

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

	2014 \$	2013 \$
Benefactors Club	450,000	217,500
Nursing projects	320,575	332,720
CHS/Pfizer Care Until Cure Research Program	414,951	339,211
CHS/AHCDC/CSL Behring Hemostasis Fellowship Program	46,776	84,375
Research	73,264	73,264
Women Who Bleed Too Much Awareness Program	-	20,000
International projects	42,295	42,361
CHS – Novo Nordisk Canada Psychosocial Research Program	80,000	40,000
CHS – Baxter Canada Inherited Bleeding Disorders Fellowship Program	51,775	33,925
Youth Leadership Program	10,000	31,250
Physiotherapy projects	9,693	28,108
Standards of Care	-	25,000
Hemophilia Joint Health Score 2.1	-	22,500
Network of Rare Blood Disorder Organizations	-	17,825
CPHC and CSWHC Annual Meeting	-	15,000
Parent Support Program	35,000	5,000
Aging Program	-	5,000
Social Worker projects	1,250	1,250
HCV Funds	23,937	-
Care Until Cure Research Knowledge Exchange	50,000	-
Bleeding Assessment Tool	10,000	-
	<hr/> 1,619,516	<hr/> 1,334,289

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2014

9 Capital

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

	2014 \$	2013 \$
Fund balances		
Unrestricted	225,687	182,081
Internally restricted	1,383,822	1,380,906
Externally restricted	2,009,763	1,934,496
Total	<u>3,619,272</u>	<u>3,497,483</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 2014 and 2013 to a maximum of \$50,000. These funds have been transferred from the General Fund to the Research Fund – Million Dollar Club for research spending.

12 Endowment contributions

	2014 \$	2013 \$
Canadian Hemophilia Society		
Northern Alberta Region	-	55,000
Alberta Chapter	20,000	20,550
Société canadienne de l'hémophilie – Section Québec	10,000	10,000
Newfoundland and Labrador Chapter	5,000	5,050
Prince Edward Island Chapter	-	200
Manitoba Chapter	-	100
Nova Scotia Chapter	1,000	75
Hemophilia Saskatchewan	10,000	-
Other contributions	29,267	3,951
	<u>75,267</u>	<u>94,926</u>

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2014

13 Programs

Program expenses are detailed as follows:

	2014 \$	2013 \$
Salaries and benefits	322,238	328,029
Research	537,839	321,762
Care and treatment	277,842	276,371
Chapter support program	150,000	180,889
Education and support	151,154	151,721
Operating expenses	89,647	91,387
Awareness	48,687	47,319
International development	33,636	20,121
Safe and secure supply	5,431	7,638
	<hr/> 1,616,474	<hr/> 1,425,237

Research costs amounted to \$660,460 in 2014 (2013 – \$475,867), of which \$537,839 were recognized in the statement of revenue and expenses in 2014 (2013 – \$321,762).

14 Allocation of expenses

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

	2014			
	Programs \$	Resource development \$	Administration \$	Total \$
Operating expenses	89,647	49,901	107,561	247,109
	<hr/>			
	2013			
	Programs \$	Resource development \$	Administration \$	Total \$
Operating expenses	91,387	51,647	95,960	238,994
	<hr/>			

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2014

15 Commitments

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

	\$
2015	72,249
2016	69,941
2017	69,437
2018	69,437
2019	50,546

- b) The Society has also agreed to pay out an amount of \$175,000 as research grants in the next year.

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 2014, the total expense for the pension plan, which represents the Society's contribution, amounted to \$26,955 (2013 – \$25,302).

17 Financial instruments and financial risk factors

Financial risk management

The Society's financial instruments expose it to a variety of financial risks, without being exposed to concentrations of risk. The following analysis provides a measure of the Society's risk exposure as at December 31, 2014.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities. The Society is exposed to liquidity risk mainly in respect of its accounts payable and accrued liabilities.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Society's main credit risk relates to cash, term deposits and investments – Million Dollar Club.

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2014

The Society deals only with highly rated financial institutions and brokers, and regularly assesses credit risk and the creditworthiness of counterparties.

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. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk. The Society is exposed to interest rate risk and other price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed rate instruments subject the Society to fair value risk, while floating rate instruments subject it to cash flow risk. As at December 31, 2014, the Society's exposure to interest rate risk is as follows:

Cash	Floating rate
Term deposits	Fixed rates, refer to note 3
Investments – Million Dollar Club	Refer to note 4

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded on the market. The Society is exposed to other price risk through its investments – Million Dollar Club.

18 Comparative figures

Certain comparative figures have been reclassified to ensure consistency with the current year's presentation.

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Additional Information

For the year ended December 31, 2014

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:

	2014	2013
	\$	\$
Salaries and benefits	235,121	184,238
Direct cost – Direct mail	16,973	22,612
Consulting fees and other expenses	11,746	9,932
	<hr/>	<hr/>
	263,840	216,782

