

**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 |
| | <hr/> | <hr/> |
| | 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) |
| | <hr/> | <hr/> |
| | 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) |
| | <hr/> | <hr/> |
| | (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

Notes to Financial Statements

December 31, 2010

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

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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 |
| | | <hr/> |
| | | 1,404,589 |
| | | <hr/> |

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 |
| | <hr/> | <hr/> |
| | 2,053,145 | 1,909,483 |
| | <hr/> | <hr/> |

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 |
| | <hr/> | <hr/> |
| | 1,824,702 | 1,853,162 |
| | <hr/> | <hr/> |

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

Notes to Financial Statements

December 31, 2010

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 |
| | <hr/> | <hr/> |
| 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 |
| | <hr/> | <hr/> |
| | 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 |
| | <hr/> | <hr/> |
| | 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 |
| | <hr/> | | | <hr/> |
| | 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

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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

Notes to Financial Statements

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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 |
| | <hr/> | <hr/> |
| | 394,386 | 389,066 |
| | <hr/> | <hr/> |