

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

Financial Statements
December 31, 2012 and 2011



May 9, 2013

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 sheets as at December 31, 2012 and 2011 and January 1, 2011 and the statements of revenue and expenses, changes in fund balances and cash flows for the years ended December 31, 2012 and 2011, 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 audits. We conducted our audits 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 in our audits 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 donation revenue, excess of revenue over expenses and cash flows from operations for the years ended December 31, 2012 and 2011, current assets and net assets as at December 31, 2012 and 2011 and January 1, 2011.

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, 2012 and 2011 and January 1, 2011 and the results of its operations and its cash flows for the years ended December 31, 2012 and 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP¹

¹ CPA auditor, CA, public accountancy permit No. A120352

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Balance Sheets

						As at December 31, 2012	As at December 31, 2011	As at January 1, 2011
	General Fund \$	Property and Equipment Fund \$	Contingencies Fund \$	Research Fund – Million Dollar Club \$	Endowment Fund – Million Dollar Club \$	Total \$	Total \$	Total \$
Assets								
Current assets								
Cash	922,893	-	-	-	-	922,893	728,897	637,270
Term deposits (note 3)	364,672	-	-	-	-	364,672	800,000	1,004,589
Accounts receivable								
Provincial chapters	2,901	-	-	32,696	30,600	66,197	55,223	29,544
General Fund	-	-	-	50,000	-	50,000	50,000	-
Other	54,686	-	-	23,136	-	77,822	196,787	151,490
Prepaid expenses	4,233	-	-	-	-	4,233	7,725	7,338
	1,349,385	-	-	105,832	30,600	1,485,817	1,838,632	1,830,231
Term deposits (note 3)	58,712	-	1,000,000	-	-	1,058,712	400,000	400,000
Investments – Million Dollar Club (notes 2 and 4)	-	-	-	178,535	1,984,247	2,162,782	2,157,487	2,053,145
Property and equipment (note 5)	-	20,677	-	-	-	20,677	25,041	24,679
	1,408,097	20,677	1,000,000	284,367	2,014,847	4,727,988	4,421,160	4,308,055
Liabilities								
Current liabilities								
Accounts payable and accrued liabilities (note 6)	199,923	-	-	-	-	199,923	225,794	150,216
Account payable to Research Fund – Million Dollar Club	50,000	-	-	-	-	50,000	50,000	-
Deferred contributions (note 8)	1,119,651	-	-	-	-	1,119,651	854,627	1,088,519
	1,369,574	-	-	-	-	1,369,574	1,130,421	1,238,735
Fund Balances								
Unrestricted (note 9)	38,523	-	-	-	-	38,523	(8,973)	(53,786)
Invested in property and equipment	-	20,677	-	-	-	20,677	25,041	24,679
Internally restricted (note 9)								
Contingencies Fund	-	-	1,000,000	-	-	1,000,000	1,000,000	1,000,000
Research Fund – Million Dollar Club	-	-	-	284,367	-	284,367	314,971	208,052
Endowment Fund – Million Dollar Club	-	-	-	-	175,277	175,277	175,277	175,277
Externally restricted (notes 9 and 10)	-	-	-	-	1,839,570	1,839,570	1,784,423	1,715,098
	38,523	20,677	1,000,000	284,367	2,014,847	3,358,414	3,290,739	3,069,320
	1,408,097	20,677	1,000,000	284,367	2,014,847	4,727,988	4,421,160	4,308,055

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

Statements of Revenue and Expenses

For the years ended December 31, 2012 and 2011

				2012	2011
	General Fund \$	Property and Equipment Fund \$	Research Fund – Million Dollar Club \$	Total \$	Total \$
Revenue					
Public support	252,747	-	13,584	266,331	361,972
Corporate support	1,956,677	-	18,486	1,975,163	1,991,842
Investment income	27,343	-	64,840	92,183	155,484
Government support	-	-	-	-	3,505
	2,236,767	-	96,910	2,333,677	2,512,803
Expenses					
Programs (note 13)	1,519,561	2,265	165,710	1,687,536	1,711,839
Resource development	374,600	2,195	-	376,795	377,941
Governance	52,163	-	-	52,163	78,502
Administration	192,142	709	11,804	204,655	192,427
	2,138,466	5,169	177,514	2,321,149	2,360,709
Excess of revenue over expenses (expenses over revenue) for the year					
	98,301	(5,169)	(80,604)	12,528	152,094

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

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Statements of Changes in Fund Balances

For the years ended December 31, 2012 and 2011

						2012	2011
	General Fund \$	Property and Equipment Fund \$	Contingencies Fund \$	Research Fund – Million Dollar Club \$	Endowment Fund – Million Dollar Club \$	Total \$	Total \$
Balance – Beginning of year	(8,973)	25,041	1,000,000	314,971	1,959,700	3,290,739	3,069,320
Excess of revenue over expenses (expenses over revenue) for the year	98,301	(5,169)	-	(80,604)	-	12,528	152,094
Endowment contributions (note 12)	-	-	-	-	55,147	55,147	69,325
Investment in property and equipment	(805)	805	-	-	-	-	-
Transfer to Research Fund – Million Dollar Club (note 11)	(50,000)	-	-	50,000	-	-	-
Balance – End of year	38,523	20,677	1,000,000	284,367	2,014,847	3,358,414	3,290,739

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

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Statements of Cash Flows

For the years ended December 31, 2012 and 2011

	2012 \$	2011 \$
Cash flows from		
Operating activities		
Excess of revenue over expenses for the year	12,528	152,094
Adjustments for		
Unrealized loss (gain) on investments – Million Dollar Club	16,299	(50,671)
Amortization of property and equipment	5,169	6,261
	<u>33,996</u>	<u>107,684</u>
Changes in non-cash working capital items		
Decrease (increase) in		
Accounts receivable	107,991	(120,976)
Prepaid expenses	3,492	(387)
Increase (decrease) in		
Accounts payable and accrued liabilities	(25,871)	125,578
Deferred contributions	265,024	(233,892)
	<u>384,632</u>	<u>(121,993)</u>
Financing activities		
Endowment contributions	<u>55,147</u>	<u>69,325</u>
Investing activities		
Purchase of investments	(392,251)	(756,240)
Disposition of investments	370,657	702,569
Purchase of term deposits	(1,232,250)	(1,621,801)
Disposition of term deposits	1,008,866	1,826,390
Acquisition of property and equipment	(805)	(6,623)
	<u>(245,783)</u>	<u>144,295</u>
Net change in cash during the year	193,996	91,627
Cash – Beginning of year	<u>728,897</u>	<u>637,270</u>
Cash – End of year	<u>922,893</u>	<u>728,897</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, 2012 and 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 aimed at alleviating the suffering of persons with an inherited bleeding disorder.

2 Significant accounting policies

Transition to accounting standards for not-for-profit organizations

Effective January 1, 2012, the Society elected to adopt Canadian accounting standards for not-for-profit organizations (“ASNPO”) as issued by the Canadian Accounting Standards Board. The accounting policies selected under this framework have been applied consistently and retrospectively as if these policies had always been in effect. The adoption of this framework had no impact on the balance sheet, earnings and cash flows of the Society, and no change occurred on the opening fund balances as at January 1, 2011.

No elections were made by the Society on transition to 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 include term deposits and accounts receivable. Financial assets measured at fair value include cash and investments – Million Dollar Club.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2012 and 2011

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.

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.

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2012 and 2011

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 2012 has been recorded in the Research Fund – Million Dollar Club.

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 initially 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.

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2012 and 2011

The expenses for fundraising consist of the salaries and social benefits of employees assigned to this duty. These expenses in the amount of \$230,270 (2011 – \$218,603) 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.

3 Term deposits

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

	%	\$
Short term		
July 2013	1.35	164,672
November 2013	0.90	<u>200,000</u>
		<u>364,672</u>
Long term		
February 2014	2.70	400,000
January 2015	2.00	164,672
July 2015	2.15	164,672
July 2016	2.45	164,672
July 2017	2.50	<u>164,696</u>
		<u>1,058,712</u>

4 Investments – Million Dollar Club

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

	2012 \$	2011 \$
Government bonds	1,047,242	1,146,191
Corporate bonds	1,021,832	920,472
Funds	93,708	<u>90,824</u>
	<u>2,162,782</u>	<u>2,157,487</u>

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2012 and 2011

Maturities of government and corporate bonds:

	2012 \$	2011 \$
Current	397,826	-
Between one and three years	579,069	811,122
Between three and five years	677,777	441,255
More than five years	414,402	814,286
	2,069,074	2,066,663

As at December 31, 2012, the average rate of return on investments – Million Dollar Club was 2.96% (2011 – 6.35%).

5 Property and equipment

	2012		
	Cost \$	Accumulated amortization \$	Net \$
Office furniture and equipment	111,457	107,934	3,523
Computer equipment	57,678	40,524	17,154
	169,135	148,458	20,677
	2011		
	Cost \$	Accumulated amortization \$	Net \$
Office furniture and equipment	111,457	107,054	4,403
Computer equipment	56,873	36,235	20,638
	168,330	143,289	25,041

6 Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances in the amount of \$211 as at December 31, 2012 (2011 – nil).

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

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2012 and 2011

7 Credit facility

As at December 31, 2012, the Society had access to an unused credit facility of \$200,000 (unused as at December 31, 2011), 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:

	2012 \$	2011 \$
Benefactors Club	305,000	-
CHS/Pfizer Care Until Cure Research Program	300,000	403,198
Nursing projects	231,655	216,111
International projects	50,451	83,951
CHS/AHCDC/CSL Behring Hemostasis Fellowship Program	37,500	37,500
Standards of Care	34,667	6,667
Network of Rare Blood Disorders Organizations	27,109	5,000
Physiotherapy projects	26,519	11,700
Medical/Scientific Symposium (Rendez-vous 2013)	25,000	-
Parent Support Program	22,000	-
Quality of Life Program	20,000	-
Youth Leadership Program	20,000	-
Aging Program	19,000	-
Social Worker projects	750	-
Passport to Well-being	-	30,000
Women and Bleeding Disorders Program	-	30,000
James Kreppner Memorial Scholarship and Bursary Program	-	15,000
Von Willebrand Disease Awareness Program	-	10,000
Canadian Museum for Human Rights – Video	-	5,500
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	1,119,651	854,627

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2012 and 2011

9 Capital

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

	2012 \$	2011 \$
Fund balances		
Unrestricted	38,523	(8,973)
Internally restricted	1,459,644	1,490,248
Externally restricted	1,839,570	1,784,423
Total	<u>3,337,737</u>	<u>3,265,698</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 2012 and 2011 to a maximum of \$50,000. These funds are transferred from the General Fund to the Research Fund – Million Dollar Club for research spending.

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2012 and 2011

12 Endowment contributions

	2012 \$	2011 \$
Canadian Hemophilia Society		
Northern Alberta Region	25,000	25,000
Southern Alberta Region	13,340	-
Newfoundland and Labrador Chapter	5,000	2,500
Hemophilia Ontario	5,000	-
Hemophilia Saskatchewan	2,718	1,451
Toronto and Central Ontario Region	500	-
New Brunswick Chapter	150	2,000
Manitoba Chapter	100	-
Nova Scotia Chapter	100	1,000
British Columbia Chapter	-	5,000
Other contributions	3,239	32,374
	<hr/> 55,147	<hr/> 69,325

13 Programs

Program expenses are detailed as follows:

	2012 \$	2011 \$
Research	470,029	422,818
Salaries and benefits	343,861	362,258
Care and treatment	261,514	323,920
Education and support	199,422	182,652
Chapter support program	188,702	198,233
Operating expenses	95,209	102,285
International development	61,721	22,610
Awareness	52,646	52,417
Safe and secure supply	14,432	44,646
	<hr/> 1,687,536	<hr/> 1,711,839

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2012 and 2011

14 Allocation of expenses

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

				2012
	Programs \$	Resource development \$	Administration \$	Total \$
Operating expenses	95,209	55,556	94,996	245,761

				2011
	Programs \$	Resource development \$	Administration \$	Total \$
Operating expenses	102,285	61,017	92,273	255,575

15 Commitments

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

	\$
2013	75,865
2014	64,922
2015	3,457
2016	1,149

- b) The Society has also agreed to pay out an amount of \$37,500 as a research grant in the next year (2011 – \$37,500).

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 2012, the total expense for the pension plan, which represents the Society's contribution, amounted to \$25,167 (2011 – \$25,624).

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2012 and 2011

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, 2012.

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.

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, 2012, 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

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2012 and 2011

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 currency risk or interest rate 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.

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Additional Information

For the years ended December 31, 2012 and 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:

	2012	2011
	\$	\$
Salaries and benefits	230,270	218,603
Direct cost – Telemarketing	486	38,902
Direct cost – Direct mail	23,947	22,968
Consulting fees and other expenses	8,919	12,435
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	263,622	292,908
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