

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

Financial Statements
December 31, 2013

April 28, 2014

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, 2013 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.

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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 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, 2013 and 2012, current assets as at December 31, 2013 and 2012 and net assets as at January 1 and December 31 for the years ended December 31, 2013 and 2012. Our audit opinion on the financial statements for the year ended December 31, 2012 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, 2013 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.

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

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Balance Sheet

As at December 31, 2013

						2013	2012
	General Fund \$	Property and Equipment Fund \$	Contingencies Fund \$	Research Fund – Million Dollar Club \$	Endowment Fund – Million Dollar Club \$	Total \$	Total \$
Assets							
Current assets							
Cash	1,037,568	-	-	-	-	1,037,568	922,893
Term deposits (note 3)	400,000	-	200,000	-	-	600,000	364,672
Investments – Million Dollar Club (note 4)	-	-	-	-	380,759	380,759	397,826
Accounts receivable							
Provincial chapters	9,194	-	-	23,339	10,000	42,533	66,197
General Fund	-	-	-	50,000	-	50,000	50,000
Other	81,243	-	-	19,735	1,270	102,248	77,822
Prepaid expenses	161,546	-	-	-	-	161,546	4,233
	1,689,551	-	200,000	93,074	392,029	2,374,654	1,883,643
Term deposits (note 3)	25,607	-	800,000	-	-	825,607	1,058,712
Investments – Million Dollar Club (note 4)	-	-	-	112,555	1,717,744	1,830,299	1,764,956
Property and equipment (note 5)	-	20,687	-	-	-	20,687	20,677
	1,715,158	20,687	1,000,000	205,629	2,109,773	5,051,247	4,727,988
Liabilities							
Current liabilities							
Accounts payable and accrued liabilities (note 6)	148,788	-	-	-	-	148,788	199,923
Account payable to Research Fund – Million Dollar Club	50,000	-	-	-	-	50,000	50,000
Deferred contributions (note 8)	1,334,289	-	-	-	-	1,334,289	1,119,651
	1,533,077	-	-	-	-	1,533,077	1,369,574
Fund Balances							
Unrestricted (note 9)	182,081	-	-	-	-	182,081	38,523
Invested in property and equipment	-	20,687	-	-	-	20,687	20,677
Internally restricted (note 9)							
Contingencies Fund	-	-	1,000,000	-	-	1,000,000	1,000,000
Research Fund – Million Dollar Club	-	-	-	205,629	-	205,629	284,367
Endowment Fund – Million Dollar Club	-	-	-	-	175,277	175,277	175,277
Externally restricted (notes 9 and 10)	-	-	-	-	1,934,496	1,934,496	1,839,570
	182,081	20,687	1,000,000	205,629	2,109,773	3,518,170	3,358,414
	1,715,158	20,687	1,000,000	205,629	2,109,773	5,051,247	4,727,988

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, 2013

				2013	2012
	General Fund \$	Property and Equipment Fund \$	Research Fund – Million Dollar Club \$	Total \$	Total \$
Revenue					
Public support	276,451	-	15,984	292,435	266,331
Corporate support	1,679,308	-	11,523	1,690,831	1,975,163
Investment income	31,200	-	40,633	71,833	92,183
	1,986,959	-	68,140	2,055,099	2,333,677
Expenses					
Programs (note 13)	1,237,870	2,367	185,000	1,425,237	1,687,536
Resource development	280,812	2,060	-	282,872	376,795
Governance	77,786	-	-	77,786	52,163
Administration	191,750	746	11,878	204,374	204,655
	1,788,218	5,173	196,878	1,990,269	2,321,149
Excess of revenue over expenses (expenses over revenue) for the year	198,741	(5,173)	(128,738)	64,830	12,528

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, 2013

						2013	2012
	General Fund \$	Property and Equipment Fund \$	Contingencies Fund \$	Research Fund – Million Dollar Club \$	Endowment Fund – Million Dollar Club \$	Total \$	Total \$
Balance – Beginning of year	38,523	20,677	1,000,000	284,367	2,014,847	3,358,414	3,290,739
Excess of revenue over expenses (expenses over revenue) for the year	198,741	(5,173)	-	(128,738)	-	64,830	12,528
Endowment contributions (note 12)	-	-	-	-	94,926	94,926	55,147
Investment in property and equipment	(5,183)	5,183	-	-	-	-	-
Transfer to Research Fund – Million Dollar Club (note 11)	(50,000)	-	-	50,000	-	-	-
Balance – End of year	182,081	20,687	1,000,000	205,629	2,109,773	3,518,170	3,358,414

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, 2013

	2013 \$	2012 \$
Cash flows from		
Operating activities		
Excess of revenue over expenses for the year	64,830	12,528
Adjustments for		
Unrealized loss on investments – Million Dollar Club	31,363	16,299
Amortization of property and equipment	5,173	5,169
	<u>101,366</u>	<u>33,996</u>
Changes in non-cash working capital items		
Decrease (increase) in		
Accounts receivable	(762)	107,991
Prepaid expenses	(157,313)	3,492
Increase (decrease) in		
Accounts payable and accrued liabilities	(51,135)	(25,871)
Deferred contributions	214,638	265,024
	<u>106,794</u>	<u>384,632</u>
Financing activities		
Endowment contributions	<u>94,926</u>	<u>55,147</u>
Investing activities		
Purchase of investments	(1,415,426)	(392,251)
Disposition of investments	1,335,787	370,657
Purchase of term deposits	(366,895)	(1,232,250)
Disposition of term deposits	364,672	1,008,866
Acquisition of property and equipment	(5,183)	(805)
	<u>(87,045)</u>	<u>(245,783)</u>
Net change in cash during the year	114,675	193,996
Cash – Beginning of year	<u>922,893</u>	<u>728,897</u>
Cash – End of year	<u>1,037,568</u>	<u>922,893</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, 2013

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 the 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 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.

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, 2013

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 2013 has been recorded in the Research Fund – Million Dollar Club.

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2013

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.

The expenses for fundraising consist of the salaries and social benefits of employees assigned to this duty. These expenses in the amount of \$184,238 (2012 – \$230,270) are all included in the resource development function.

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

Income taxes

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

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2013

3 Term deposits

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

	%	\$
Short term		
February 2014	2.70	400,000
November 2014	0.80	<u>200,000</u>
		<u>600,000</u>
Long term		
January 2015	2.00	164,672
July 2015	2.15	164,672
July 2016	2.45	164,672
July 2017	2.50	164,696
July 2018	2.40	<u>166,895</u>
		<u>825,607</u>

4 Investments – Million Dollar Club

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

	2013 \$	2012 \$
Government bonds	740,109	1,047,242
Corporate bonds	854,846	1,021,832
Funds	616,103	93,708
	<u>2,211,058</u>	<u>2,162,782</u>

Maturities of government and corporate bonds:

	2013 \$	2012 \$
Current	380,759	397,826
Between one and three years	449,707	579,069
Between three and five years	593,921	677,777
More than five years	170,568	414,402
	<u>1,594,955</u>	<u>2,069,074</u>

As at December 31, 2013, the average rate of return on investments – Million Dollar Club was 1.83% (2012 – 2.96%).

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2013

5 Property and equipment

	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
	<hr/>		
	2012		
	Cost \$	Accumulated amortization \$	Net \$
Office furniture and equipment	111,457	107,934	3,523
Computer equipment	57,678	40,524	17,154
	<hr/> 169,135	<hr/> 148,458	<hr/> 20,677

6 Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances in the amount of \$480 as at December 31, 2013 (2012 – \$211).

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

7 Credit facility

As at December 31, 2013, the Society had access to an unused credit facility of \$200,000 (unused as at December 31, 2012), 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

December 31, 2013

8 Deferred contributions

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

	2013 \$	2012 \$
Benefactors Club	337,500	305,000
Nursing projects	332,720	231,655
CHS/Pfizer Care Until Cure Research Program	189,211	300,000
CHS/AHDC/CSL Behring Hemostasis Fellowship Program	84,375	37,500
Research	73,264	-
Von Willebrand Disease Awareness Program	50,000	-
International projects	42,361	50,451
CHS – Novo Nordisk Canada Psychosocial Research Program	40,000	-
CHS – Baxter Canada Inherited Bleeding Disorders Fellowship Program	33,925	-
Youth Leadership Program	31,250	20,000
Physiotherapy projects	28,108	26,519
Standards of Care	25,000	34,667
Hemophilia Joint Health Score 2.1	22,500	-
Network of Rare Blood Disorders Organizations	17,825	27,109
CPHC and CSWHC Annual Meeting	15,000	-
Aging Program	5,000	19,000
Parent Support Program	5,000	22,000
Social Worker projects	1,250	750
Medical/Scientific Symposium (Rendez-vous 2013)	-	25,000
Quality of Life Program	-	20,000
	<u>1,334,289</u>	<u>1,119,651</u>

9 Capital

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

	2013 \$	2012 \$
Fund balances		
Unrestricted	182,081	38,523
Internally restricted	1,380,906	1,459,644
Externally restricted	1,934,496	1,839,570
Total	<u>3,497,483</u>	<u>3,337,737</u>

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2013

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 2013 and 2012 to a maximum of \$50,000. These funds are transferred from the General Fund to the Research Fund – Million Dollar Club for research spending.

12 Endowment contributions

	2013 \$	2012 \$
Canadian Hemophilia Society		
Northern Alberta Region	55,000	25,000
Alberta Chapter	20,550	-
Société canadienne de l'hémophilie – Section Québec	10,000	-
Newfoundland and Labrador Chapter	5,050	5,000
Prince Edward Island Chapter	200	-
Manitoba Chapter	100	100
Nova Scotia Chapter	75	100
Southern Alberta Region	-	13,340
Hemophilia Ontario	-	5,000
Hemophilia Saskatchewan	-	2,718
New Brunswick Chapter	-	150
Toronto and Central Ontario Region	-	500
Other contributions	3,951	3,239
	<hr/> 94,926	<hr/> 55,147

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2013

13 Programs

Program expenses are detailed as follows:

	2013 \$	2012 \$
Salaries and benefits	328,029	343,861
Research	321,762	470,029
Care and treatment	276,371	261,514
Chapter support program	180,889	188,702
Education and support	151,721	199,422
Operating expenses	91,387	95,209
Awareness	47,319	52,646
International development	20,121	61,721
Safe and secure supply	7,638	14,432
	<hr/> 1,425,237	<hr/> 1,687,536

Research costs amounted to \$475,867 in 2013, of which \$321,762 were recognized in the statement of revenue and expenses in 2013.

14 Allocation of expenses

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

	<hr/> 2013			
	Programs \$	Resource development \$	Administration \$	Total \$
Operating expenses	91,387	51,647	95,960	238,994
	<hr/>			
	2012			
	Programs \$	Resource development \$	Administration \$	Total \$
Operating expenses	95,209	55,556	94,996	245,761
	<hr/>			

Canadian Hemophilia Society – Société canadienne de l'hémophilie

Notes to Financial Statements

December 31, 2013

15 Commitments

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

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

- b) The Society has also agreed to pay out an amount of \$57,392 as research grants in the next year (2012 – \$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 2013, the total expense for the pension plan, which represents the Society's contribution, amounted to \$25,302 (2012 – \$25,167).

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, 2013.

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, 2013

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, 2013, 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 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 year ended December 31, 2013

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:

	2013 \$	2012 \$
Salaries and benefits	184,238	230,270
Direct cost – Telemarketing	-	486
Direct cost – Direct mail	22,612	23,947
Consulting fees and other expenses	9,932	8,919
	<hr/>	<hr/>
	216,782	263,622
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