

Canadian FOP Network
Financial Statements
May 31, 2020

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Michael G.G. Pinnock_{FCPA, FCA}
Fellow Chartered Professional Accountant

19 Turnhouse Crescent, Markham, ON, L6B 0S5
905.209.8203 (O) 416.436.2139 (M) michael.pinnock@bell.net www.michaelpinnock.ca

INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors of
Canadian FOP Network (“the Organization”)

Qualified Opinion

I have audited the financial statements of the Organization, which comprise the statement of financial position as at May 31, 2020 and the statement of operations and net assets and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* paragraph, the accompanying financial statements present fairly, in all material respect, the financial position of the Organization as at May 31, 2020 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.

Basis for Qualified Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Organization in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

In common with many not-for-profit organizations, the Organization derives revenue from donations and fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues were limited to the amounts recorded in the records of the Organization. Therefore, I was not able to determine whether any adjustments might be necessary to donations and/or fundraising revenue, excess of revenue over expenses, and cash flows from operations for the year ended May 31, 2020, current assets as at May 31, 2020 and net assets as at June 1, 2019 and May 31, 2020.

Responsibilities of Management and the Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of 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 misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

The engagement principal on the audit resulting in this independent auditor's report is Michael Pinnock.



Michael G. G. Pinnock, FCPA, FCA
Fellow Chartered Professional Accountant
Licensed Public Accountant

Markham, Ontario

November 13, 2020

**Canadian FOP Network
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Statement of Financial Position

As at May 31, 2020

	Note	2020	2019
		\$	\$
ASSETS:			
CURRENT:			
Cash		92,101	33,525
Accounts receivable		1,713	370
Prepaid expenses		1,126	1,440
Total Assets		94,940	35,335
NONCURRENT:			
Capital assets: net	7	220	493
Total		220	493
Total Assets		95,160	35,828
LIABILITIES:			
CURRENT:			
Accounts payable and accrued liabilities		2,267	2,297
Deferred revenue	6		14,020
Total Liabilities		2,267	16,317
NET ASSETS:			
Net Assets unrestricted		92,893	19,511
Total Net Assets		92,893	19,511
Total Liabilities and Net Assets		95,160	35,828

Approved by: _____

Carrie Connell - President

Approved by: _____

Mitchra Persad - Treasurer

The accompanying notes on pages 4 to 8 are an integral part of these financial statements

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Statement of Operations and Net Assets

For the year ended May 31, 2020

	<u>2020</u>	<u>2019</u>
	\$	\$
REVENUE		
Donations	93,129	81,109
	<u>93,129</u>	<u>81,109</u>
EXPENSES		
Administrative	2,793	2,298
Grant		99,998
Office	476	276
Professional fees	2,079	2,079
Promotions	14,399	14,422
	<u>19,747</u>	<u>119,073</u>
Surplus/(Deficiency) of revenue over expenses	<u>73,382</u>	<u>(37,964)</u>
Net Assets - Beginning of the year	19,511	57,475
Net Assets - End of the year	<u>92,893</u>	<u>19,511</u>

The accompanying notes on pages 4 to 8 are an integral part of these financial statements

**Canadian FOP Network
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Statement of Cash Flows

For the year ended May 31, 2020

	<u>2020</u>	<u>2019</u>
	\$	\$
Operating		
Surplus/(Deficiency) of revenue over expenses	73,382	(37,964)
Changes in non-cash working capital components:		
Amortization of capital assets	271	846
Accounts receivable and prepaid expenses	(1,027)	(488)
Accounts payable and accrued liabilities	(30)	(857)
Deferred revenue	(14,020)	13,480
	58,576	(24,983)
Investing		
Purchase of Capital Asset		(245)
		(245)
Increase/(Decrease) in Cash	58,576	(25,228)
Cash, beginning of year	33,525	58,753
Cash, end of year	92,101	33,525
REPRESENTED BY:		
Cash at bank	92,101	33,525
	92,101	33,525

The accompanying notes on pages 4 to 8 are an integral part of these financial statements

**Canadian FOP Network
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Notes to the Financial Statements

For the year ended May 31, 2020

1 Registration, Incorporation and Purpose of the Organization

Canadian FOP Network (“CFOPN”) was continued under the *New Canada Not-For-Profit Corporations Act* effective January 28, 2014. The organization is a registered charity (# 83433 8691 RR0001) and is designated a *Public Foundation*. The organization is tax-exempt under section 149(1)(f) of the *Income Tax Act*.

Its objects are:-

1. to educate the Canadian public, medical and scientific communities about Fibrodysplasia Ossificans Progressiva (“FOP”) through communication media, seminar, workshops and medical clinics, and by facilitating the sharing of accurate information about FOP; and
2. to provide funds for ‘qualified donees’ as defined in the *Income Tax Act* in order to contribute to research into FOP and treatments for FOP, thereby also advancing the treatment for other bone disorders.

2 Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The financial statements reflect the following significant accounting policies:

a) Basis of Accounting

Except for revenue from donations and grants which are recorded on a cash basis, with no accrual being made for amounts pledged but not received, revenues and expenditures are recorded on the accrual basis, whereby transactions and events are recognized in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent.

Going Concern

Management has prepared the financial statements on the *Going Concern basis*. The Organization is expected to operate for the foreseeable future. Neither the Management nor the Board of Directors of the Organization has the intention or the need to close or curtail materially the operations of the Organization.

Notes to the Financial Statements

For the year ended May 31, 2020

2 Summary of Significant Accounting Policies (continued)

Use of estimates

In the process of applying the Organization's accounting policies, management makes various judgements, estimates and assumptions that can significantly affect the amounts it recognises and the related disclosures reported in the financial statements. These estimates are based on historical experiences and management's best knowledge of current events and actions. Actual results may differ from those estimates and assumptions.

b) Revenue Recognition

The Organization follows the deferral method of accounting for contributions and grants, whereby restricted contributions related to expenses of future periods are deferred and recognized as revenue in the related future period that the expenses are incurred. All other contributions are reported as revenue of the current period.

- a. Donations – *Contributions from individuals, other charities and corporations to assist with the funding of the organization's programs. These are recognized when received.*
- b. Registration fees – *Receipts for the attendance at workshops and conference. These are recognized when invoiced and receivable.*

c) Capital Assets

Purchased capital assets are recorded at cost, contributed capital asset at *fair value*. Amortization is provided on the reducing balance basis at rates estimated to write-off the capital assets over the term of their estimated useful lives. The rates used are as follows:

Computers	55%
Computer software	100%

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2 Summary of Significant Accounting Policies (continued)

d) Donated Services and Goods

The Organization benefits from volunteer services. Since these services are not normally purchased by the organization and because of the difficulties of determining their fair value, donated services are not recognized in these financial statements. Donated goods are not recorded in the books unless they would normally be purchased.

e) Financial Instruments

The Organization's financial instruments are initially recognized at *fair value*, and subsequently carried at cost and amortized cost, net of impairment.

These financial instruments consist of cash, accounts receivables and; accounts payable and accrued liabilities.

f) Allocated Expenses

There are no allocated expenses.

3 Financial Instruments

The Organization's financial instruments consist of cash, accounts receivables and; accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values due to their short-term maturity.

4 Government Remittances

There were no Government remittances outstanding at the end of the fiscal period.

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5 Critical Judgement and Sources of Estimation Uncertainty

There were no critical judgements, apart from those involving estimations, which management has made in the process of applying the Organization's accounting policies that may have a significant effect on the amounts recognized in the financial statements.

The estimate and assumption which has the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities is discuss below:

I. Useful lives of Capital Assets

Depreciation is provided so as to write down the respective assets to their estimated residual values over their expected useful lives and as such, the selection of the expected useful lives and the estimated residual values of the assets require the use of estimates and judgements. Details of the estimated useful lives are shown in Note 2c and 7.

6 Deferred Revenue

For 2019, monies received in advance for the planned Golf Tournament fundraiser.

7 Capital Assets

	<u>2020</u>		<u>2019</u>
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net Book value</u>
Computer hardware	1,507	1,287	220
Computer software	211	211	492
Pro Importer	245	245	
	<u>1,963</u>	<u>1,743</u>	<u>220</u>

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8 Subsequent Event

Due to the challenges caused by the Covid-19 pandemic, All the summer fundraising events were cancelled. This will greatly impact the organization's ability to fund research. The organization do not have any online fundraising events scheduled at this time. Also, the signature golf tournament event has been postponed until June 2021.

Some of the research the organization were co-funding with the International FOP Association through an ACT grant to University of Alberta has been paused. The organization will need to meet with them to find out how this will progress.

COVID has had a huge impact on the organization's fundraising and as such, the organization now rely on United Way, CanadaHelps and other planned giving donations.

Management continues to assess the situation.