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**Canadian FOP Network**  
**Financial Statements**  
**May 31, 2017**

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**Financial Statements**

**May 31, 2017**

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## **INDEPENDENT AUDITOR'S REPORT**

To: The Board of Directors of **Canadian FOP Network ("the Network")**

I have audited the accompanying financial statements of the Network, which comprise the statement of financial position as at May 31, 2017, and the statements of operations and net assets; and cash flows for the year then ended, and 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***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

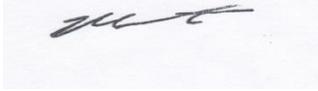
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

### ***Basis for Qualified Opinion***

In common with many not-for-profit organizations, the Network derives revenue from donations and fundraising activities 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 Network. 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, 2017, current assets as at May 31, 2017 and net assets as at June 1, 2016 and May 31, 2017.

**Qualified Opinion**

In my 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 Network as at May 31, 2017, 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.



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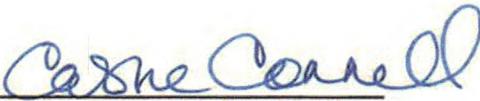
**Michael G. G. Pinnock CPA, CA**  
Chartered Professional Accountant  
Licensed Public Accountant

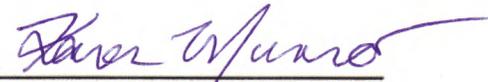
August 14, 2017

Markham, Ontario

**Canadian FOP Network**  
**Statement of Financial Position**  
**As at May 31, 2017**

|  | 2017          | 2016          |
|--|---------------|---------------|
|  | \$            | \$            |
| <b>ASSETS:</b>                           |               |               |
| <b>CURRENT:</b>                          |               |               |
| Cash                                     | 85,780        | 21,498        |
| Accounts receivable                      | 275           | 1,353         |
| Prepaid expenses                         | 120           | 590           |
| <b>Total Assets</b>                      | <b>86,175</b> | <b>23,441</b> |
| <b>LIABILITIES:</b>                      |               |               |
| <b>CURRENT:</b>                          |               |               |
| Accounts payable and accrued liabilities | 3,472         | 1,774         |
|  | <b>3,472</b>  | <b>1,774</b>  |
| Deferred revenue                         | 5             | 10,000        |
| <b>Total Liabilities</b>                 | <b>13,472</b> | <b>1,774</b>  |
| <b>NET ASSETS:</b>                       |               |               |
| Net Assets unrestricted                  | 72,703        | 21,667        |
| <b>Total Net Assets</b>                  | <b>72,703</b> | <b>21,667</b> |
| <b>Total Liabilities and Net Assets</b>  | <b>86,175</b> | <b>23,441</b> |

Approved by:   
 On behalf of the Board

Approved by:   
 On behalf of the Board

**Canadian FOP Network**  
**Statement of Operations and Net Assets**  
**For the year ended May 31, 2017**

|   | <u>2017</u>   | <u>2016</u>    |
|---|---------------|----------------|
|   | \$            | \$             |
| <b>REVENUE</b>                                |               |                |
| Donations                                     | 85,384        | 107,000        |
| Other   | 219           | 410            |
|   | <u>85,603</u> | <u>107,410</u> |
| <br><b>EXPENSES</b>                           |               |                |
| Administrative                                | 2,033         | 2,709          |
| Grant   | 24,410        | 90,000         |
| Office  | 326           | 523            |
| Professional fees                             | 2,079         | 1,562          |
| Promotions                                    | 5,719         | 8,469          |
|   | <u>34,567</u> | <u>103,263</u> |
| <br><b>Surplus of revenue over expenses</b>   | <u>51,036</u> | <u>4,147</u>   |
| <br><b>Net Assets - Beginning of the year</b> | <u>21,667</u> | 17,520         |
| <br><b>Net Assets - End of the year</b>       | <u>72,703</u> | <u>21,667</u>  |

**Canadian FOP Network**  
**Statement of Cash Flows**  
**For the year ended May 31, 2017**

|   | <u>2017</u> | <u>2016</u> |
|---|-------------|-------------|
|   | \$          | \$          |
| <b>Operating</b>                                |             |             |
| Surplus of revenue over expenses                | 51,036      | 4,147       |
| Changes in non-cash working capital components: |             |             |
| Accounts receivable and prepaid expenses        | 1,548       | (1,065)     |
| Accounts payable and accrued liabilities        | 1,698       | (783)       |
|   | 54,282      | 2,299       |
| <b>Financing</b>                                |             |             |
| Deferred revenue                                | 10,000      |             |
|   | 10,000      |             |
| <br>  |             |             |
| Increase in Cash                                | 64,282      | 2,299       |
| <br>  |             |             |
| Cash, beginning of year                         | 21,498      | 19,199      |
| <br>  |             |             |
| Cash, end of year                               | 85,780      | 21,498      |
| <br>  |             |             |
| <b>REPRESENTED BY:</b>                          |             |             |
| Cash at bank                                    | 85,780      | 21,498      |
|   | 85,780      | 21,498      |

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**Canadian FOP Network**  
**Notes to the Financial Statements**  
**May 31, 2017**

**1 Registration, Incorporation and Purpose**

Canadian FOP Network ("CFOPN") was re-incorporate 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 Fibrodyplasia 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.

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**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 which is 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.

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 Network 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. Other income – *Fundraising and Sales receipts. These are recognized when received.*

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**Canadian FOP Network**  
**Notes to the Financial Statements**  
**May 31, 2017**

**2 Summary of Significant Accounting Policies (continued)**

**c) Financial Instruments**-recognition and measurement

The Network'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 receivable; and accounts payable and accrued liabilities. These financial instruments are carried at cost and amortized cost, net of impairment.

**d) Donated Services**

The work of the Network benefits from volunteer services. Since these services are not normally purchased by the Network and because of the difficulties of determining their fair value, donated services are not recognized in these financial statements.

**e) Allocation of expenses**

There are no allocated expenses.

**f) Future Accounting Standards: Statement-of-Principles (SOP)**

Recent Canadian Pronouncements by the AcSB<sup>1</sup>: Statement-of-Principles (SOP) Not-for-Profit Organizations

The AcSB is currently improving the standards in Part III of the Handbook and some fifteen SOPs are being proposed. The effects of these proposals are significant, they will be of varying interest to NFPOs, depending on the nature of the organization and its particular circumstances. The main areas are:-

1. Contributions,
2. Capital assets (Property, Plant and Equipment),
3. Consolidation and Related Party, and
4. Financial Statement Presentation

The AcSB issued an Exposure Draft in 2013. The AcSB is still deliberating the comments from this Exposure Draft.

The Network is currently evaluating the impact of these SOPs on its financial statements.

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<sup>1</sup> Accounting Standards Board

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**Canadian FOP Network**  
**Notes to the Financial Statements**  
**May 31, 2017**

**2 Summary of Significant Accounting Policies (continued)**

**f) Future Accounting Standards (continued)**

Annual improvements to APSE (Part II of CPA Canada Handbook)

The Accounting Standards Board made several amendments to improve accounting standards for private enterprises as set out in Part II (ASPE) of the *CPA Canada Handbook – Accounting, and Not-for-profit Organization* using the standards in Part III. These amendments are the results of the 2013- 2016 improvement cycle.

These amendments will have no impact on the current financial statements of the Network.

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**3 Financial Instruments**

The Network's financial instruments consist of cash, accounts receivable; and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values due to the short maturity.

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**4 Government remittances**

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

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**5 Deferred revenue**

Grants received from two benefactors to assist with funding of the June 2017 Medical Conference.

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**6 Critical Judgement and Sources of Estimation Uncertainty**

There were no critical judgements or estimations uncertainties required by management in the process of applying the Network's accounting policies that would have a significant effect on the amounts recognized in the financial statements.