LUPUS CANADA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

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SEPTEMBER 30, 2014

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HURREN
SINCLAIR
MACINTYRE LLP
CHARTERED ACCOUNTANTS

4-144 Old Kingston Road
Ajax, Ontario
L1T 2Z9

Tel: 905 683 8856
Fax: 905 683 3428
www.hsmca.com

INDEPENDENT AUDITOR'S REPORT

To the Members of:
Lupus Canada

We have audited the accompanying financial statements of Lupus Canada, which comprise the statement of financial position as at September 30, 2014, and the statements of operations, changes in 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
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 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 presentation of the financial statements.

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
As is the case with many charitable organizations, Lupus Canada derives a portion of its income from the general public in the form of donations and fundraising which are not susceptible to complete audit verification. Accordingly, our verification of this revenue was limited to accounting for the amounts recorded in the records of the organization, and we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, excess of revenues over expenses, assets and unrestricted funds.

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INDEPENDENT AUDITOR'S REPORT

(Continued)

Qualified Opinion
In our opinion, except for the 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 Lupus Canada as at September 30, 2014, 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.

Hurren Sinclair MacIntyre LLP

Chartered Professional Accountants
Licensed Public Accountants

Ajax, Ontario
February 11, 2015

LUPUS CANADA

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	2014	2013
Revenue		
Division revenue	$ 17,976	$ 8,573
Lupus Scholarship Fund	10,000	4,000
Other revenue	1,529	1,868
	29,505	14,441
Donations and fundraising		
Direct mail campaigns	130,029	84,040
Individual and corporations	104,661	160,932
Memorials	7,425	13,782
Bequests	6,336	11,336
Walk for Lupus	2,897	203,370
	251,348	473,460
	280,853	487,901
Expenses		
General and infrastructure	168,829	110,580
Public awareness	63,136	31,535
Volunteer management	26,770	41,974
Advocacy	25,074	13,449
Research	19,642	49,519
Contributions to Provincial Lupus Organizations	-	128,455
Walk for Lupus	-	63,636
	303,451	439,148
Excess of (expenses over revenue) revenue over expenses from operations	(22,598)	48,753
Gain on investments	1,860	1,177
EXCESS OF (EXPENSES OVER REVENUE) REVENUE OVER EXPENSES	$ (20,738)	$ 49,930

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

LUPUS CANADA

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Invested in Capital Assets	Internally Restricted	Unrestricted	2014 Total	2013 Total
Balance, beginning of year	$2,829	$52,313	$398,597	$453,739	$397,809
Excess of (expenses over revenue) revenue over expenses	(848)	-	(19,890)	(20,738)	49,930
Purchase of capital assets	-	-	-	-	-
Transfer to unrestricted	-	-	-	-	-
Contributions Received	-	-	-	-	10,000
Lupus Scholarship Fund bursary	-	(10,000)	-	(10,000)	(4,000)
BALANCE, END OF YEAR	$1,981	$42,313	$378,707	$423,001	$453,739

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

LUPUS CANADA

STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2014

	2014	2013
ASSETS		
Current		
Cash and cash equivalents	$ 432,263	$ 467,738
Receivable from members	-	1,398
HST receivable	10,192	6,344
Other receivables	12,808	7,349
Portfolio investments	11,605	5,913
Sundry assets	9,214	8,672
	476,082	497,414
Capital assets (Note 3)	1,981	2,829
	$ 478,063	$ 500,243
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 30,587	$ 24,525
Deferred contributions (Note 4)	24,475	21,979
	55,062	46,504
NET ASSETS		
Unrestricted net assets	378,707	398,597
Net assets invested in capital assets	1,981	2,829
Net assets internally restricted (Note 6)	42,313	52,313
	423,001	453,739
	$ 478,063	$ 500,243

Commitment (Note 7)

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

LUPUS CANADA

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	2014	2013
Cash provided by (used in):		
Operating activities:		
Excess of (expenses over revenue) revenue over expenses	$ (20,738)	$ 49,930
Items not affecting cash:		
Amortization	848	1,213
Gain on portfolio investments	(1,860)	(1,177)
Non-cash contributions of portfolio investments	(3,832)	-
Transfer to unrestricted fund	-	(6,173)
	(25,582)	43,793
Net change in non-cash working capital balances related to operations:		
Decrease (increase) in receivables from members	1,398	(102)
(Increase) decrease in HST receivable	(3,848)	2,583
(Increase) decrease in other receivables	(5,459)	3,518
(Increase) decrease in sundry assets	(542)	3,330
Increase in accounts payable and accrued liabilities	6,062	2,422
	(27,971)	55,544
Financing activities:		
Deferred contributions received	2,496	4,692
Investing activities:		
Lupus Scholarship Fund bursary, net of contributions	(10,000)	6,000
Proceeds on sale of portfolio investments	-	4,439
	(10,000)	10,439
(Decrease) increase in cash and cash equivalents, during the year	(35,475)	70,675
Cash and cash equivalents, beginning of year	467,738	397,063
Cash and cash equivalents, end of year	$ 432,263	$ 467,738
Cash and cash equivalents are comprised of:		
Bank deposits	$ 431,920	$ 467,623
Money market funds	343	115
	$ 432,263	$ 467,738

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

LUPUS CANADA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

1. Nature of operations

Lupus Canada is a non-profit organization which was incorporated under the Canadian Corporation Act and is a registered charity exempt from income taxes under Section 149(1)(f) of the Income Tax Act (Canada). The Organization is a national affiliation of voluntary lupus organizations and is dedicated to improving the lives of people living with lupus through advocacy, education, public awareness, support and research.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) Revenue recognition

Lupus Canada follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

c) Capital assets

Capital assets are recorded at cost less amortization. The organization provides for amortization using the following methods at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates and methods are as follows:

Computer equipment	30% declining balance
Equipment	30% declining balance

The organization reviews for impairment of capital assets whenever events or change in circumstances indicate that the carrying value may not be recoverable. If the total of the estimated undiscounted future cash flows is less than the carrying value of the assets, an impairment loss is recognized during the year the impairment occurs.

d) Contributed materials and services

The organization has chosen to disclose the nature and amount, where applicable, of contributed materials and services but not to record the value in the financial statements. The organization receives volunteer services throughout the year, the value of which is not determinable.

2. Significant accounting policies (continued)

e) Use of estimates

In preparing the organization's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses. These estimates are periodically reviewed and, accordingly, adjustments made to these estimates are taken into income in the year in which it is determined. These estimates are subject to measurement uncertainty, and actual results could differ from those estimates. Estimates are used when accounting for certain items, such as useful lives of capital assets, allowance for doubtful accounts, and accruals.

f) Financial instruments

The organization's portfolio investments are initially recognized and subsequently measured at fair value without adjustments for transaction costs that would be incurred on disposals. Changes in fair value are recognized in the period of change. Transaction costs associated with the acquisition of these investments are recognized in the period incurred. Portfolio investments consist of publicly traded securities.

All other financial instruments, being cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities are initially recorded at fair value and subsequently measured at amortized cost.

3. Capital assets

	Cost	Accumulated Amortization	2014 Net	2013 Net
Computer equipment	$ 27,108	$ 25,433	$ 1,675	$ 2,393
Equipment	11,660	11,354	306	436
	$ 38,768	$ 36,787	$ 1,981	$ 2,829

LUPUS CANADA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

4. Deferred contributions

Deferred contributions represent funds received which are externally restricted for expenses of subsequent fiscal years.

	2014	2013
Beginning balance	$ 21,979	$ 17,287
Add: contributions received during the year	2,496	4,692
	$ 24,475	$ 21,979

Deferred contributions balance consists of the following amounts:

	2014	2013
Research	$ 16,075	$ 13,579
Fact booklet - Trillium grant	8,400	8,400
	$ 24,475	$ 21,979

5. Fundraising activities

Lupus Canada reports the gross and net contributions of its direct mail campaigns, as follows:

	2014	2013
Direct mail revenues	$ 130,029	$ 84,040
Direct mail costs	(84,025)	(39,405)
	$ 46,004	$ 44,635

Direct mail costs are included in General and infrastructure on the Statement of Operations.

6. Net assets internally restricted

	2014	2013
Operating Fund Reserve	$ 6,000	$ 6,000
Research Fund	10,000	10,000
Lupus Canada Scholarship Fund	26,313	36,313
	$ 42,313	$ 52,313

In 1998, the Board of Directors approved the establishment of an Operating Fund Reserve.

As a result of a bequest received in 2003, the organization created a Research Fund whose use is internally restricted to research related expenditures to be approved by the Board of Directors.

In June 2013 the board of directors approved the transfer of the balances in the Dawn Elliot Memorial Fund and the Youth Initiative Fund to the Lupus Canada Scholarship Fund. In addition, the board approved the transfer of the balance in the Future Projects Fund to Unrestricted Net Assets.

7. Commitment

The organization is obligated to pay the following minimum lease payments for its premises.

2015	$ 14,700
2016	13,475

8. Financial instruments

Risks and concentrations

The organization is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis provides a description of the organization's risk exposure at September 30, 2014. There are no material differences in risks versus those of the previous year.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from its members and contributors. However, the organization has a significant number of members and contributors which minimizes concentration of credit risk.

It is management's opinion that the organization is not exposed to any other significant risks arising from their financial instruments.