

LUPUS CANADA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Lupus Canada

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Lupus Canada (the "Organization"), which comprise the statement of financial position as at September 30, 2022, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Lupus Canada as at September 30, 2022, 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 Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of Lupus Canada for the year ended September 30, 2021 were audited by another auditor who expressed a modified opinion on those statements on March 24, 2022.

INDEPENDENT AUDITORS' REPORT (Continued)

Responsibilities of Management and Those Charged with Governance 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.

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 to cease operations, 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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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.

INDEPENDENT AUDITORS' REPORT (Continued)

- 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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.

We 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 we identify during our audit.

KRIENS~LAROSE, LLP

KRIENS~LAROSE, LLP

**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
February 28, 2023

LUPUS CANADA
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2022

	2022	2021
	\$	\$ (Note 9)
ASSETS		
CURRENT		
Cash	197,943	152,433
Investments (Note 2)	350,000	350,000
Accounts receivable	4,236	323
HST recoverable	8,866	4,896
Sundry assets	21,331	22,539
	582,376	530,191
CAPITAL ASSETS (Note 3)	1,258	163
	583,634	530,354
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	15,720	26,779
Government remittances payable	7,202	3,686
Deferred contributions (Note 4)	85,292	134,147
	108,214	164,612
NET ASSETS		
Unrestricted	325,370	265,692
Internally restricted (Note 5)	150,050	100,050
	475,420	365,742
	583,634	530,354

APPROVED ON BEHALF OF THE BOARD:


_____, Director


_____, Director

LUPUS CANADA
STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Internally Restricted \$	Unrestricted \$	2022 Total \$	2021 Total \$
Balance, beginning of year	100,050	265,692	365,742	321,795
Excess of revenues over expenses	-	121,353	121,353	53,516
Contributions received (Note 5)	325	-	325	2,431
Lupus Scholarship Fund Bursary	(12,000)	-	(12,000)	(12,000)
Other transfers	61,675	(61,675)	-	-
	150,050	325,370	475,420	365,742

See accompanying notes to the financial statements

LUPUS CANADA
STATEMENT OF OPERATIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

	2022	2021
	\$	\$
REVENUES		
Individual and corporation donations	290,572	268,473
Bequests	187,229	90,298
Direct mail campaign donations (Note 6)	89,269	111,533
Memorials	25,530	15,559
Government assistance (Note 7)	16,082	22,871
Miscellaneous	12,709	13,889
Lupus Scholarship Fund (Note 5)	12,000	12,000
Interest income	2,049	1,036
	635,440	535,659
EXPENSES		
General and infrastructure (Note 6)	197,957	170,163
Public awareness	104,673	116,356
Research	86,848	77,194
Fund development	80,198	71,633
Advocacy	41,417	40,700
Volunteer management	2,994	6,097
	514,087	482,143
EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	121,353	53,516

LUPUS CANADA
STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

	2022	2021
	\$	\$ (Note 9)
CASH WAS PROVIDED BY (USED IN):		
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from donations and fundraising	556,544	459,368
Cash receipts from Government assistance	12,446	22,871
Cash receipts to the Lupus Scholarship Fund	325	2,431
Interest received	1,682	713
Cash paid for direct research contribution	(75,000)	(68,500)
Cash paid to suppliers and employees	(448,853)	(407,076)
	47,144	9,807
CASH FROM INVESTING ACTIVITIES		
Purchase of capital assets	(1,634)	-
Change in cash	45,510	9,807
Cash, beginning of year	152,433	142,626
Cash, end of year	197,943	152,433

PURPOSE OF THE ORGANIZATION

Lupus Canada ("the Organization") is a not-for-profit organization which was incorporated under the Canada Corporations Act and continued under the Canada Not-for-Profit Corporations Act on April 28, 2014. It is a registered charity exempt from taxes under subsection 149(1)(f) of the Income Tax Act (Canada).

The purpose of the Organization is to improve the lives of people affected by Lupus through research, public awareness, advocacy and education.

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Handbook and include the following significant accounting policies:

Financial Instruments

The Organization initially measures its financial assets and financial liabilities at fair value. The Organization subsequently measures all its financial assets and financial liabilities at cost or amortized cost. Changes in fair value are recognized in the statement of operations.

Financial assets measured at cost or amortized cost include cash, investments, and accounts receivable. Financial liabilities measured at cost or amortized cost include accounts payable and accrued liabilities.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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 reporting date and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from these estimates. These estimates are reviewed periodically and adjustments are made, as appropriate, in the statement of operations in the year they become known.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and fixed income investments with maturities of less than 90 days.

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1. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets

Capital assets are recorded at cost less accumulated 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
Leasehold improvements	straight line over term of lease

Revenue Recognition

The Organization uses the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year 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.

Interest is recognized as revenue when received or receivable.

Government Assistance

Government assistance is a restricted contribution and is accounted for using the deferral method based on the assistance provided:

Wage Subsidies (including CEWS and Canada Summer Job Grant)

Wage subsidies are recognized as revenue in the year the related wages are incurred.

Foreign Currency Translation

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the related transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates in effect at the balance sheet date. Gains or losses arising from the translation of foreign currencies are included in the statement of operations.

Expenses Allocation

The Organization engages in projects to which expenses are allocated. The costs of each project include the expenses that are directly related to providing the program. The Organization allocates human resources costs among projects based on the total percentage of staff time spent on each project.

Continued...

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Property and Services

During the year voluntary services were provided. Because these services are not normally purchased by the Organization, and because of the difficulty of determining their fair value, donated services are not recognized in these statements.

2. INVESTMENTS

	2022	2021
	\$	\$
Guaranteed investment certificates, 0.55%, 3.02%, 4.30%, maturing December 8, 2022 and September 25, 2023	350,000	-
Guaranteed investment certificates, 0.10% and 0.263%, maturing September 23, 2021 and December 6, 2021	-	350,000
	350,000	350,000

3. CAPITAL ASSETS

	2022		2021	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Computer equipment	28,741	27,501	27,108	26,970
Equipment	11,660	11,642	11,660	11,635
Leasehold improvements	-	-	4,171	4,171
	40,401	39,143	42,939	42,776
Net book value	1,258		163	

The amortization expense for the year is \$539 (2021: \$2,242)

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4. DEFERRED CONTRIBUTIONS

Deferred contributions represent funds received which are externally restricted for expenses of subsequent fiscal years. The change in the deferred contributions balance is as follows:

	2022	2021
	\$	\$
Balance, beginning of year	134,147	174,531
Restricted contributions received during the year	26,145	28,116
Amounts recognized as revenue during the year	(75,000)	(68,500)
Balance, end of year	85,292	134,147

Deferred contributions consists of the following:

	2022	2021
	\$	\$
Research	79,546	128,401
Fact booklet - Trillium grant	2,746	2,746
Lupus Let's Talk	3,000	3,000
	85,292	134,147

Continued...

5. INTERNALLY RESTRICTED NET ASSETS

	2022 \$	2021 \$
Operating Fund Reserve	150,000	100,000
Lupus Canada Scholarship Fund	50	50
	150,050	100,050

The Operating Fund reserve is an internally restricted account designed to harbour in reserve approximately six months of the annual operating budget (nondiscretionary items) for future operations. On November 18, 2021, the Board approved an increase in the Operating Fund Reserve from \$100,000 to \$150,000.

During the year, contributions were received in the amount of \$325 (2021: \$2,431) to the Lupus Canada Scholarship Fund. During the year, \$11,675 (2021: \$9,569) was allocated from the Lupus Canada Scholarship fund to general revenues and \$12,000 (2021: \$12,000) was disbursed to scholarship candidates.

6. FUNDRAISING ACTIVITIES

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

	2022 \$	2021 \$
Direct mail revenues	89,269	111,533
Direct mail costs	(26,659)	(25,752)
	62,610	85,781

Direct mail costs are included in General and infrastructure on the statement of operations.

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7. GOVERNMENT ASSISTANCE

The Organization received Government assistance as follows:

	2022	2021
	\$	\$
Canada Summer Jobs grant	16,082	4,264
Canada Emergency Wage Subsidy (CEWS)	-	18,607
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	16,082	22,871

The Canada Summer Jobs grant provides wage subsidies to employers from not-for-profit organizations, the public sector, and private sector organizations with 50 or fewer fulltime employees, to create quality summer work experiences for young people aged 15 to 30 years. As at September 30, 2022, the grant amount included in accounts receivable is \$3,636 (2021: \$nil).

The CEWS served as financial relief for a portion of employee wages. The CEWS was temporary and was available from March 15, 2020 to October 23, 2021 to eligible employers.

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8. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments. The following presents the Organization's risk exposures and concentrations at September 30, 2022.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Organization's credit risk would occur with their accounts receivable. Actual exposure to credit losses has been minimal in prior years. The allowance for doubtful accounts is \$nil (2021: \$nil).

Liquidity Risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization's exposure to liquidity risk is mainly in respect of its accounts payable and accrued liabilities. The Organization expects to meet these obligations as they come due by generating sufficient cash flow from operations. There has been no change in the risk assessment from the prior period.

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 risks: currency risk, interest rate risk and other price risk. The Organization is not exposed to these market risks.

9. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year presentation.