

**LUPUS CANADA**  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

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## INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors of  
**Lupus Canada**

### **Report on the Audit of the Financial Statements**

#### *Opinion*

We have audited the financial statements of Lupus Canada (the "Organization"), which comprise the statement of financial position as at September 30, 2023, 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, 2023, 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.

## INDEPENDENT AUDITOR'S REPORT (Continued)

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### *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 AUDITOR'S REPORT (Continued)

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- 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 13, 2024

LUPUS CANADA  
**STATEMENT OF FINANCIAL POSITION**  
AS AT SEPTEMBER 30, 2023

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	2023	2022
	\$	\$ (Note 11)
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	172,760	197,943
Investments (Note 2)	352,284	350,000
Accounts receivable	233	4,236
HST recoverable	5,246	8,866
Prepaid expenses and other assets	12,598	21,331
	543,121	582,376
<b>CAPITAL ASSETS</b> (Note 3)	2,499	1,258
	545,620	583,634
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	29,031	15,720
Government remittances payable	3,652	7,202
Deferred contributions (Note 4)	71,605	85,292
	104,288	108,214
<b>NET ASSETS</b>		
Unrestricted	211,282	325,370
Internally Restricted - Operating Reserve (Note 5)	150,000	150,000
Internally Restricted - Research Reserve (Note 5)	80,000	-
Internally Restricted - Lupus Canada Scholarship Fund (Note 5)	50	50
	441,332	475,420
	545,620	583,634

APPROVED ON BEHALF OF THE BOARD:

\_\_\_\_\_, Director \_\_\_\_\_, Director

See accompanying notes to the financial statements

LUPUS CANADA  
**STATEMENT OF CHANGES IN NET ASSETS**  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Internally Restricted			Unrestricted	2023 Total \$	2022 Total \$ (Note 11)
	Lupus Canada Scholarship Fund \$ (Note 5)	Operating Reserve \$ (Note 5)	Research Reserve \$ (Note 5)			
Balance, beginning of year	50	150,000	-	325,370	475,420	365,742
(Deficiency)/excess of revenues over expenses	(11,299)	-	-	(22,789)	(34,088)	109,678
Transfer from Unrestricted (Note 5)	11,299	-	80,000	(91,299)	-	-
Balance, end of year	50	150,000	80,000	211,282	441,332	475,420

See accompanying notes to the financial statements

LUPUS CANADA  
**STATEMENT OF OPERATIONS**  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

	2023	2022
	\$	\$ (Note 11)
<b>REVENUES</b>		
Individual and corporation donations	354,524	290,897
Direct mail campaign donations (Note 6)	81,507	89,269
Bequests	40,057	187,229
Grants	28,957	-
Interest income	18,225	2,049
Memorials	13,861	25,530
Miscellaneous	10,582	12,709
Fundraising	6,917	-
Government assistance (Note 7)	-	16,082
	554,630	623,765
<b>EXPENSES (NOTE 8)</b>		
General and infrastructure (Note 6)	247,842	197,957
Public awareness	106,255	104,673
Research	91,644	86,848
Fund development	74,925	80,198
Advocacy	66,378	41,417
Volunteer management	1,674	2,994
	588,718	514,087
<b>(DEFICIENCY)/EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR</b>	<b>(34,088)</b>	<b>109,678</b>



LUPUS CANADA  
**STATEMENT OF CASH FLOWS**  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

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	2023	2022
	\$	\$
<b>CASH WAS PROVIDED BY (USED IN):</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from donations and fundraising	450,727	556,544
Cash receipts from grants	71,241	-
Cash receipts from Government assistance	3,636	12,446
Cash receipts to the Lupus Scholarship Fund	750	325
Interest received	18,592	1,682
Cash paid for direct research contribution	(79,000)	(75,000)
Cash paid to suppliers and employees	(486,533)	(448,853)
	(20,587)	47,144
<b>CASH FROM INVESTING ACTIVITIES</b>		
Purchase of capital assets	(2,312)	(1,634)
Net purchase of investments	(2,284)	-
	(4,596)	(1,634)
Change in cash	(25,183)	45,510
Cash, beginning of year	197,943	152,433
Cash, end of year	172,760	197,943

See accompanying notes to the financial statements

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## PURPOSE OF THE ORGANIZATION

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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

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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 amortized cost, except for investments that are quoted in the active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at 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)**

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**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

**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.

All other revenues are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

**Government Assistance**

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

*Wage Subsidies*

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

**Allocation of Expenses**

The Organization reports its administrative expenses under one of the following functions: general and infrastructure, public awareness, research, fund development, advocacy and volunteer management.

Each function is allocated a portion of the Organization's total salaries and benefits expense based on the relative amount of time the Organization's employees work on each function. Other administrative expenses are allocated based on directly being related to providing the function.

Details of the amounts allocated are disclosed in Note 8.

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**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**

	2023	2022
	\$	\$
Guaranteed investment certificates, 4.75% and 4.95%, maturing September 5, 2024 and September 25, 2024	352,284	-
Guaranteed investment certificates, 0.55%, 3.02%, 4.30%, maturing December 8, 2022 and September 25, 2023	-	350,000
	352,284	350,000

**3. CAPITAL ASSETS**

	2023		2022	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Computer equipment	31,053	28,572	28,741	27,501
Equipment	11,660	11,642	11,660	11,642
	42,713	40,214	40,401	39,143
Net book value	2,499		1,258	

The amortization expense for the year is \$1,071 (2022: \$539)

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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:

	2023	2022
	\$	\$
Balance, beginning of year	85,292	134,147
Restricted contributions received during the year	94,270	26,145
Amounts recognized as revenue during the year	(107,957)	(75,000)
Balance, end of year	71,605	85,292

Deferred contributions consists of the following:

	2023	2022
	\$	\$
CSRF Grant	42,284	-
Research	23,575	79,546
Lupus Let's Talk	3,000	3,000
Fact booklet - Trillium Grant	2,746	2,746
	71,605	85,292

**5. INTERNALLY RESTRICTED NET ASSETS**

The Operating Reserve is an internally restricted fund 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 Reserve from \$100,000 to \$150,000.

The Research Reserve is an internally restricted fund designed to finance innovative research projects aimed at understanding lupus better, improving treatment options, and ultimately finding a cure for this autoimmune disease. On January 26, 2023, the Board approved a transfer of \$80,000 from unrestricted net assets to the Research Reserve.

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**5. INTERNALLY RESTRICTED NET ASSETS (CONTINUED)**

The Lupus Canada Scholarship Fund was established to provide financial assistance for educational pursuits to individuals impacted by lupus, supporting their academic goals and easing the financial burden associated with their condition. During the year, contributions were received and expenses paid in the amount of \$750 (2022: \$325) and \$49 (2022: \$nil), respectively. In addition, \$12,000 (2021: \$12,000) in scholarships were disbursed to candidates. To fund the transactions in the fiscal year, \$11,299 (2022: \$11,675) was transferred from unrestricted net assets.

**6. DIRECT MAIL CAMPAIGN DONATIONS**

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

	2023	2022
	\$	\$
Direct mail revenues	81,507	89,269
Direct mail costs	(28,592)	(24,775)
	52,915	64,494

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

**7. GOVERNMENT ASSISTANCE**

In fiscal year 2022, the Organization received Government assistance in the amount of \$16,082 for the Canada Summer Jobs grant. 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, 2023, the grant amount included in accounts receivable is \$nil (2022: \$3,636).

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**8. ALLOCATION OF EXPENSES**

Pursuant to the policy described in Note 1, the Organization's administrative expenditures for the year are allocated as follows:

	2023	2022
	\$	\$
General and infrastructure	219,579	197,957
Public awareness	106,255	104,673
Fund development	74,925	80,198
Advocacy	66,378	41,417
Research	12,644	11,848
Volunteer management	1,674	2,994
	481,455	439,087

**9. 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, 2023.

**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 (2022: \$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.

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**10. COMMITMENT**

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During the fiscal year, the Organization entered into an agreement in the amount of \$41,102 (inclusive of HST) for the development of the Organization's website. The Organization has paid \$16,992 during the fiscal year and the remaining commitment for fiscal year 2024 is \$24,110.

**11. COMPARATIVE FIGURES**

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Certain comparative figures statement of financial position and statements of changes in net assets, operations have been reclassified to conform to the current year presentation.