

Financial Statements of

OSTEOPOROSIS CANADA

Year ended March 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Members of Osteoporosis Canada

We have audited the accompanying financial statements of Osteoporosis Canada, which comprise the statement of financial position as at March 31, 2017, the statements of revenue and expenditures, changes in fund balances and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.



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Basis for Qualified Opinion

In common with many charitable organizations, Osteoporosis Canada 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 Osteoporosis Canada. Therefore, we were not able to determine whether, as at and for the years ended March 31, 2017 and 2016, any adjustments might be necessary to individuals revenue and excess (deficiency) of revenue over expenditures reported in the statements of revenue and expenditures, excess (deficiency) of revenue over expenditures reported in the statements of cash flows and current assets and general funds reported in the statements of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended March 31, 2016.

Qualified Opinion

In our 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 Osteoporosis Canada as at March 31, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

July 13, 2017
Vaughan, Canada

OSTEOPOROSIS CANADA

Statement of Financial Position

March 31, 2017, with comparative information for 2016


	2017	2016
Assets		
Current assets:		
Cash	\$ 699,058	\$ 360,459
Cash - restricted	412,437	237,505
Accounts receivable	53,139	90,898
Goods and services tax/harmonized sales tax recoverable	99,391	66,590
Prepaid expenses	30,275	33,156
	<u>1,303,300</u>	<u>818,606</u>
Investments (note 2)	2,599,352	2,403,665
Capital assets (note 3)	51,209	90,507
	<u>\$ 3,953,861</u>	<u>\$ 3,312,778</u>


Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 286,402	\$ 195,759
Deferred revenue	374,810	63,816
Obligations under capital leases (note 4)	12,114	22,842
	<u>673,326</u>	<u>282,017</u>
Obligations under capital leases (note 4)	5,802	17,916
Fund balances:		
Program Fund	679,760	629,716
Reserve Fund	848,689	776,672
Bequest Fund	22,067	6,537
Research Fund	1,724,217	1,597,920
	<u>3,274,733</u>	<u>3,012,845</u>
Commitments (note 8)		
Subsequent event (note 10)		
	<u>\$ 3,953,861</u>	<u>\$ 3,312,778</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

OSTEOPOROSIS CANADA

Statement of Revenue and Expenditures

Year ended March 31, 2017, with comparative information for 2016

2017	Program Fund						Total	Bequest and Reserve Funds	Research Fund
	Education/program development and delivery	Supporting services	Fund development	Provincial Ministry funding					
Revenue:									
Individuals	\$ 161,111	\$ 111,806	\$ 748,951	\$ -	\$ -	\$ 1,021,868	\$ -	\$ 7,425	
Realized gain on sale of investments	-	-	-	-	-	-	25,828	56,301	
Change in fair value of investments	-	-	-	-	-	-	33,785	84,351	
Corporations	-	-	24,221	-	-	24,221	-	-	
Foundations	38,864	-	-	-	-	38,864	-	-	
Project sponsorships	410,250	104,000	128,239	-	-	642,489	-	-	
Bequests	409,795	72,317	-	-	-	482,112	56,789	-	
Government funding	437,270	79,630	-	4,204,065	-	4,720,965	-	-	
Other	129,139	9,273	-	-	-	138,412	-	-	
Program materials	-	2,169	-	-	-	2,169	-	-	
Interest and dividends	-	971	-	-	-	971	19,006	46,377	
Memberships	4,874	-	-	-	-	4,874	-	-	
	1,591,303	380,166	901,411	4,204,065		7,076,945	135,408	194,454	
Expenditures:									
Institutions funding	-	-	-	527,933	-	527,933	-	-	
Salaries and benefits	950,402	229,197	167,874	2,928,672	-	4,276,145	28,357	-	
Travel and public relations	135,072	49,419	66,758	153,243	-	404,492	74	-	
Advisory services	78,264	39,276	269,196	253,048	-	639,784	8,602	21,631	
Printing	15,178	2,933	206,077	45,334	-	269,522	-	-	
Continuing education and support programs	41,182	2,243	2,396	11,285	-	57,106	-	46,526	
Postage	16,438	34,287	156,847	16,863	-	224,435	-	-	
Stationery and supplies	8,377	2,820	1,460	16,682	-	29,339	-	-	
Rent	93,265	22,287	13,929	9,216	-	138,697	12,828	-	
Telephone	12,710	5,496	1,762	22,804	-	42,772	-	-	
Other	15,210	33,463	3,637	8,706	-	61,016	-	-	
Amortization	5,736	5,787	1,324	40,477	-	53,324	-	-	
Computer support	6,839	63,196	1,679	158,021	-	229,735	-	-	
Audit and legal	3,031	23,487	34,302	11,781	-	72,601	-	-	
	1,381,704	513,891	927,241	4,204,065		7,026,901	49,861	68,157	
Excess (deficiency) of revenue over expenditures	\$ 209,599	\$ (133,725)	\$ (25,830)	\$ -		\$ 50,044	\$ 85,547	\$ 126,297	

OSTEOPOROSIS CANADA

Statement of Revenue and Expenditures (continued)

Year ended March 31, 2017, with comparative information for 2016

2016	Program Fund						Total	Bequest and Reserve Funds	Research Fund
	Education/ program development and delivery	Supporting services	Fund development	Provincial Ministry funding					
Revenue:									
Individuals	\$ 150,299	\$ 124,807	\$ 805,943	\$ -	\$ -	\$ 1,081,049	\$ -	\$ -	
Realized gain on sale of investments	-	-	-	-	-	-	8,063	15,697	
Change in fair value of investments	-	-	-	-	-	-	(33,704)	(79,978)	
Corporations	25,725	7,725	23,179	-	-	56,629	-	-	
Foundations	7,651	-	29,356	-	-	37,007	-	-	
Project sponsorships	388,100	109,778	104,692	-	-	602,570	-	-	
Bequests	288,345	51,008	-	-	-	339,353	-	-	
Government funding	440,435	100,852	100	4,236,678	-	4,778,065	-	-	
Other	126,032	19,235	-	-	-	145,267	-	-	
Program materials	-	3,798	-	-	-	3,798	-	-	
Interest and dividends	-	401	-	-	-	401	17,649	44,329	
Memberships	9,655	-	-	-	-	9,655	-	-	
	1,436,242	417,604	963,270	4,236,678	-	7,053,794	(7,992)	(19,952)	
Expenditures:									
Institutions funding	-	20,393	-	528,296	-	548,689	-	-	
Salaries and benefits	863,140	205,441	146,334	2,943,344	-	4,160,259	8,986	-	
Travel and public relations	73,138	63,579	61,268	113,067	-	311,052	728	-	
Advisory services	9,041	3,932	253,557	350,535	-	617,065	31,373	21,441	
Printing	52,117	2,827	180,291	55,248	-	290,483	-	-	
Continuing education and support programs	71,686	784	3,609	2,353	-	78,432	-	24,500	
Postage	19,397	29,785	162,100	25,594	-	236,876	-	-	
Stationery and supplies	6,348	2,132	1,152	10,035	-	19,667	-	-	
Rent	192,075	69,195	33,293	2,297	-	296,860	-	-	
Telephone	19,200	8,057	1,657	30,507	-	59,421	-	-	
Other	28,596	29,198	6,352	13,263	-	77,409	-	11,044	
Amortization	7,689	6,998	1,774	50,838	-	67,299	-	-	
Computer support	5,196	84,362	1,123	112,377	-	203,058	-	-	
Audit and legal	5,278	28,904	12,630	5,195	-	52,007	1,518	-	
	1,352,901	555,587	867,140	4,242,949	-	7,018,577	42,605	56,985	
Excess (deficiency) of revenue over expenditures	\$ 83,341	\$ (137,983)	\$ 96,130	\$ (6,271)	\$ -	\$ 35,217	\$ (50,597)	\$ (76,937)	

See accompanying notes to financial statements.

OSTEOPOROSIS CANADA

Statement of Changes in Fund Balances

Year ended March 31, 2017, with comparative information for 2016

2017	General Funds			Total	Research Fund	Total
	Program Fund (note 5)	Reserve Fund	Bequest Fund			
Fund balances, beginning of year	\$ 629,716	\$ 778,672	\$ 6,537	\$ 1,414,925	\$ 1,597,920	\$ 3,012,845
Excess of revenue over expenditures	50,044	70,017	15,530	135,591	126,297	261,888
Fund balances, end of year	\$ 679,760	\$ 848,689	\$ 22,067	\$ 1,550,516	\$ 1,724,217	\$ 3,274,733

2016	General Funds			Total	Research Fund	Total
	Program Fund (note 5)	Reserve Fund	Bequest Fund			
Fund balances, beginning of year	\$ 594,499	\$ 794,974	\$ 40,832	\$ 1,430,305	\$ 1,674,857	\$ 3,105,162
Excess (deficiency) of revenue over expenditures	35,217	(16,302)	(34,295)	(15,380)	(76,937)	(92,317)
Fund balances, end of year	\$ 629,716	\$ 778,672	\$ 6,537	\$ 1,414,925	\$ 1,597,920	\$ 3,012,845

See accompanying notes to financial statements.

OSTEOPOROSIS CANADA

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenditures	\$ 261,888	\$ (92,317)
Items not involving cash:		
Amortization	53,324	67,299
Change in fair value of investments	(118,136)	113,682
	197,076	88,664
Change in non-cash operating working capital:		
Goods and services tax/harmonized sales tax recoverable	(2,801)	(11,127)
Accounts receivable	37,757	11,614
Prepaid expenses	(6,119)	10,780
Accounts payable and accrued liabilities	90,643	34,947
Deferred revenue	311,194	(472,068)
	627,750	(337,190)
Financing activities:		
Repayment of obligations under capital leases	(22,642)	(23,230)
Investing activities:		
Additions to capital assets	(14,026)	(30,448)
Increase in investments	(77,551)	(126,492)
	(91,577)	(156,940)
Increase (decrease) in cash position	513,531	(517,360)
Cash position, beginning of year	597,964	1,115,324
Cash position, end of year	\$ 1,111,495	\$ 597,964
Consisting of:		
Cash	\$ 699,058	\$ 360,459
Cash - restricted	412,437	237,505
	\$ 1,111,495	\$ 597,964
Non-cash transaction:		
Acquisition of asset under capital lease	\$ -	\$ 24,132

See accompanying notes to financial statements.

OSTEOPOROSIS CANADA

Notes to Financial Statements

Year ended March 31, 2017

Osteoporosis Canada (the "Organization") was established in 1982. The Organization was previously incorporated under the Canada Corporations Act and was continued under the Canada Not-for-Profit Corporations Act in November 2013. The Organization is dedicated to educate, empower and support individuals and communities in the prevention and treatment of osteoporosis. The Organization's focus is the provision of services to individuals at risk from and/or affected by osteoporosis and to communities through a locally driven approach. This approach will expand prevention and treatment services at the community level.

The Organization is designated as a registered charity (charity registration number 895510931) by Canada Revenue Agency. The Organization is exempt from income taxes and is able to issue donation receipts for income tax purposes.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook. These financial statements reflect the combined activity and financial position of the Organization's Chapters and Organization Office.

(a) Fund accounting:

The activities of the Organization are accounted for utilizing the concepts of restricted fund accounting. There are four funds, a Program Fund, a Research Fund, a Reserve Fund and a Bequest Fund, to account for the activities of the Organization.

The presentation of the revenue and expenditures within the Program Fund reflects key result areas, defined as follows:

(i) Education/program development and delivery:

This represents the development, implementation and evaluation of the information, programs and services the Organization delivers to its clients and stakeholders. This includes: public education and support programs and services, community services, member services, professional education and relations, as well as clinical and scientific research activities. All of these activities improve the level of awareness and knowledge of osteoporosis among the public, people who have osteoporosis, health care professionals, researchers and health care policymakers.

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Notes to Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(ii) Supporting services:

These represent essential services that provide core administrative support and governance. These include external audit and legal fees and all other expenses that cannot be easily allocated to other key result areas.

(iii) Fund development:

This represents the ongoing efforts to secure funds related to corporate and pharmaceutical partnerships, foundations and individual giving (direct mail, online donations, major and planned gifts) and their related expenses. In addition, this includes corporate donations related to specific events.

(iv) Provincial Ministry funding:

This represents revenue and expenses related to projects contracted by the Ontario Ministry of Health as part of the overall Ontario Osteoporosis Strategy. Specifically, this category included the year's activities centred around the development of educational materials for seniors, bone health courses for people over 50, bone mineral density ("BMD") guidelines for men and perimenopausal women, as well as BMD standards. Finally, the category includes overall project management, as well as the launch of area coordinators throughout the province.

The Bequest Fund includes funds donated for specific activities specified by the donor.

The Research Fund is a restricted fund and includes donations that have been specifically designated by donors to fund research activities and certain other non-designated donations.

The Board of Directors of the Organization has approved the establishment of a Reserve Fund, in order to provide some security to manage unforeseen circumstances involving a revenue shortfall or unanticipated expenses. The target for the Reserve Fund is six months of core operating expenses, meaning those outside of government-funded programming. Thus, the target is \$2,000,000; it is recognized that it will take a number of years to reach this target.

OSTEOPOROSIS CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(b) Revenue recognition:

Restricted contributions to the Program Fund are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions to the Program Fund and restricted contributions to the Research Fund are recognized as revenue in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

All non-designated in-memoriam donations are reflected in the Program Fund.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has elected to carry its investments at fair value. Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

OSTEOPOROSIS CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(d) Capital assets:

Capital assets are stated at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repair and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value. Capital assets are amortized on a straight-line basis using the following estimated useful lives:

Computer equipment	3 years
Furniture and equipment	3 years
License fees	3 years

(e) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(f) Use of estimates:

The preparation of financial statements 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 date of the financial statements and the reported amounts of revenue and expenditures during the year. Amounts subject to such estimates include valuation of investments and determination of deferred revenue. Actual results could differ from those estimates.

OSTEOPOROSIS CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2017

2. Investments:

	2017	2016
Cash	\$ 65,325	\$ 54,690
Fixed income	942,028	1,083,356
Equities	1,591,999	1,265,619
	<u>\$ 2,599,352</u>	<u>\$ 2,403,665</u>

Investments held consist of \$30,000 (2016 - \$30,000) for the Program Fund, \$1,720,478 (2016 - \$1,594,367) for the Research Fund and \$848,874 (2016 - \$779,298) for the Reserve Fund.

The fixed income securities are invested in pooled funds and bear no specific yield to maturity (2016 - 0.21% to 4.17%) or maturity dates (2016 - June 15, 2016 to June 1, 2020).

3. Capital assets:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 766,485	\$ 744,906	\$ 21,579	\$ 27,976
Furniture and equipment	259,595	248,869	10,726	21,104
License fees	226,875	226,875	—	—
Computer equipment under capital lease	111,089	92,185	18,904	41,427
	<u>\$ 1,364,044</u>	<u>\$ 1,312,835</u>	<u>\$ 51,209</u>	<u>\$ 90,507</u>

OSTEOPOROSIS CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2017

4. Obligations under capital leases:

The Organization has financed certain equipment by entering into capital leasing arrangements. Capital lease repayments are due as follows:

2018	\$ 12,962
2019	5,971
Total minimum lease payments	18,933
Less amount representing interest (at 7.6%)	1,017
Present value of net minimum capital lease payments	17,916
Current portion of obligations under capital leases	12,114
	\$ 5,802

Interest incurred during the year on obligations under capital leases amounted to \$2,341 (2016 - \$2,456).

5. Investment in capital assets:

	2017	2016
Balance, beginning of year	\$ 49,949	\$ 63,570
Amortization of capital assets	(53,324)	(67,299)
Additions to capital assets	14,026	30,448
Repayment on obligations under capital leases	22,642	23,230
Balance, end of year	\$ 33,293	\$ 49,949

The investment in capital assets is included in the Program Fund.

OSTEOPOROSIS CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2017

6. Commitments:

The Organization leases its premises under a long-term operating lease that expires on July 31, 2021. The minimum annual rent payable in the next five years and thereafter under the premises lease and equipment leases are:

2018	\$ 146,000
2019	146,000
2020	146,000
2021	144,000
2022	53,000
Thereafter	2,000
	<hr/>
	\$ 637,000

7. Banking facilities:

The Organization has a \$200,000 revolving demand facility available for use with a Canadian financial institution, bearing interest at prime plus 0.50%. At year end, the Organization had not drawn on this line of credit (2015 - nil).

8. Financial risks:

Investments are primarily exposed to interest rate, market and foreign currency risks. The Organization has formal policies and procedures that establish target asset mix. The Organization's policies also require diversification of investments within categories and set limits on exposure to individual investments. Unrestricted funds are held in specified investments and interest-bearing bank accounts. Restricted funds may also be invested in these specified investments, subject to donor restrictions. There has been no change to the risk exposures from 2016.

(a) Interest rate risk:

The Organization is exposed to interest rate risk on its fixed interest rate financial instruments. The Organization manages this risk by staggering the terms of the securities held. Further details about the fixed interest rate investments are included in note 2.

OSTEOPOROSIS CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2017

8. Financial risks (continued):

(b) Market risk:

Market risk arises as a result of the Organization's trading in fixed and variable investments. Fluctuations in the market expose the Organization to a risk of loss. The Organization mitigates this risk through controls to monitor and limit concentration levels.

(c) Foreign currency risk:

The Organization is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates on the Organization's foreign investments. The Organization mitigates this risk through controls to monitor and limit concentration levels.

(d) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring actual and projected cash flows to ensure that it has sufficient funds to fulfill its obligations.

9. Indemnification of officers and directors:

The Organization has indemnified its past, present and future directors, officers, employees and volunteers against expenses (including legal expenses), judgments and any amount actually or reasonably incurred by them in connection with any action, suit or proceeding in which the directors are sued as a result of their service, if they acted honestly and in good faith with a view to the best interests of the Organization. The nature of the indemnity prevents the Organization from reasonably estimating the maximum exposure. The Organization has purchased directors' and officers' liability insurance with respect to this indemnification.

10. Subsequent event:

In May 2017, the Organization signed a final mutual release for a bequest in the amount of \$387,334, which includes reimbursements of legal costs incurred. The settlement of funds were received subsequent to year end.