

Financial Statements of

OSTEOPOROSIS CANADA

Year ended March 31, 2018



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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, 2018, 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, 2018 and 2017, any adjustments might be necessary to individuals revenue and excess (deficiency) of revenue over expenditures reported in the statements of revenue and expenditures and changes in fund balances, excess of revenue over expenditures reported in the statement of cash flows and current assets and general funds reported in the statement of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended March 31, 2017.

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, 2018, 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 18, 2018
Vaughan, Canada

OSTEOPOROSIS CANADA

Statement of Financial Position

March 31, 2018, with comparative information for 2017

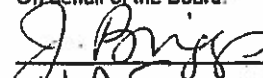

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 981,656	\$ 699,058
Cash - restricted	506,799	412,437
Accounts receivable	25,758	53,139
Goods and services tax/harmonized sales tax recoverable	113,252	99,391
Prepaid expenses	75,728	39,275
Short-term investments (note 2)	500,000	—
	<u>2,203,193</u>	<u>1,303,300</u>
Long-term investments (note 3)	2,735,619	2,599,352
Capital assets (note 4)	32,813	51,209
	<u>\$ 4,971,625</u>	<u>\$ 3,953,861</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 187,922	\$ 286,402
Deferred revenue	1,228,572	374,810
Obligations under capital leases (note 5)	5,802	12,114
	<u>1,422,296</u>	<u>673,326</u>
Obligations under capital leases (note 5)	—	5,802
Fund balances:		
Program Fund	836,386	679,760
Reserve Fund	901,286	848,689
Bequest Fund	3,771	22,067
Research Fund	1,807,886	1,724,217
	<u>3,549,329</u>	<u>3,274,733</u>
Commitments (note 7)		
	<u>\$ 4,971,625</u>	<u>\$ 3,953,861</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, 2018, with comparative information for 2017

2018	Program Fund							Research Fund
	Education/ program development and delivery	Supporting services	Fund development	Provincial Ministry funding	Total	Bequest and Reserve Funds		
Revenue:								
Individuals	\$ 259,967	\$ 182,105	\$ 808,110	\$ -	\$ 1,250,182	\$ -	\$ 3,202	
Realized gain on sale of investments	-	-	-	-	-	7,875	32,094	
Change in fair value of investments	-	-	28,884	-	-	34,557	67,487	
Corporations	-	-	-	-	28,884	-	-	
Foundations	62,877	-	-	-	62,877	-	-	
Project sponsorships	257,908	68,400	253,275	-	579,583	-	-	
Bequests	462,297	81,582	-	-	543,879	-	-	
Government funding	441,240	78,660	-	4,157,635	4,677,535	-	-	
Other	120,214	8,190	6,501	-	134,905	-	-	
Program materials	-	1,376	-	-	1,376	-	-	
Interest and dividends	-	5,470	-	-	5,470	19,516	47,999	
Memberships	3,045	-	-	-	3,045	-	-	
	1,607,548	425,783	1,096,770	4,157,635	7,287,736	61,948	150,782	
Expenditures:								
Institutions funding	-	-	-	520,994	520,994	-	-	
Salaries and benefits	911,570	224,383	163,424	2,987,367	4,186,744	18,295	-	
Travel and public relations	99,973	59,899	45,566	134,810	340,248	-	-	
Advisory services	385,623	8,616	139,151	261,795	795,185	9,352	22,613	
Printing	23,059	3,460	219,873	49,988	296,380	-	-	
Continuing education and support programs	32,040	1,845	1,773	4,406	40,064	-	44,500	
Postage	17,244	29,667	152,999	14,102	214,012	-	-	
Stationery and supplies	8,879	4,013	1,263	7,407	21,562	-	-	
Rent	140,234	37,349	22,770	7,756	208,109	-	-	
Telephone	11,413	6,599	1,490	18,521	38,023	-	-	
Other	20,119	32,568	4,119	3,262	60,068	-	-	
Amortization	-	12,018	-	22,133	34,151	-	-	
Computer support	42,899	74,911	1,328	218,790	337,928	-	-	
Audit and legal	535	24,345	6,458	6,304	37,642	-	-	
	1,693,588	519,673	760,214	4,157,635	7,131,110	27,647	67,113	
Excess (deficiency) of revenue over expenditures	\$ (86,040)	\$ (93,890)	\$ 336,556	\$ -	\$ 156,626	\$ 34,301	\$ 83,669	

OSTEOPOROSIS CANADA

Statement of Revenue and Expenditures (continued)

Year ended March 31, 2018, with comparative information for 2017

2017	Program Fund						Research Fund
	Education/ program development and delivery	Supporting services	Fund development	Provincial Ministry funding	Total	Bequest and Reserve Funds	
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	-	-	24,221	-	24,221	33,785	84,351
Corporations	38,864	-	-	-	38,864	-	-
Foundations	410,250	-	-	-	410,250	-	-
Project sponsorships	409,795	104,000	128,239	-	642,034	-	-
Bequests	437,270	72,317	-	-	509,587	56,789	-
Government funding	129,139	79,630	-	4,204,065	4,720,965	-	-
Other	-	9,273	-	-	9,273	-	-
Program materials	-	2,169	-	-	2,169	-	-
Interest and dividends	4,874	971	-	-	5,845	19,006	46,377
Memberships	-	-	-	-	-	-	-
	<u>1,591,303</u>	<u>380,166</u>	<u>901,411</u>	<u>4,204,065</u>	<u>7,076,945</u>	<u>135,408</u>	<u>194,454</u>
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	2,395	11,285	57,105	-	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	-	-
	<u>1,381,704</u>	<u>513,891</u>	<u>927,241</u>	<u>4,204,065</u>	<u>7,026,901</u>	<u>49,861</u>	<u>68,157</u>
Excess (deficiency) of revenue over expenditures	<u>\$ 209,599</u>	<u>\$ (133,725)</u>	<u>\$ (25,830)</u>	<u>\$ -</u>	<u>\$ 50,044</u>	<u>\$ 85,547</u>	<u>\$ 126,297</u>

See accompanying notes to financial statements.

OSTEOPOROSIS CANADA

Statement of Changes in Fund Balances

Year ended March 31, 2018, with comparative information for 2017

2018	General Funds			Total	Research Fund	Total
	Program Fund (note 6)	Reserve Fund	Bequest Fund			
Fund balances, beginning of year	\$ 679,760	\$ 848,689	\$ 22,067	\$ 1,550,516	\$ 1,724,217	\$ 3,274,733
Excess (deficiency) of revenue over expenditures	156,626	52,597	(18,296)	190,927	83,669	274,596
Fund balances, end of year	\$ 836,386	\$ 901,286	\$ 3,771	\$ 1,741,443	\$ 1,807,886	\$ 3,549,329

2017	General Funds			Total	Research Fund	Total
	Program Fund (note 6)	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

See accompanying notes to financial statements.

OSTEOPOROSIS CANADA

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures	\$ 274,596	\$ 261,888
Items not involving cash:		
Amortization	34,151	53,324
Change in fair value of investments	(102,044)	(118,136)
	206,703	197,076
Change in non-cash operating working capital:		
Goods and services tax/harmonized sales tax recoverable	(13,861)	(2,801)
Accounts receivable	27,381	37,757
Prepaid expenses	(36,453)	(6,119)
Accounts payable and accrued liabilities	(98,480)	90,643
Deferred revenue	853,762	311,194
	939,052	627,750
Financing activities:		
Repayment of obligations under capital leases	(12,114)	(22,642)
Investing activities:		
Additions to capital assets	(15,755)	(14,026)
Increase in investments	(534,223)	(77,551)
	(549,978)	(91,577)
Increase in cash position	376,960	513,531
Cash position, beginning of year	1,111,495	597,964
Cash position, end of year	\$ 1,488,455	\$ 1,111,495
Consisting of:		
Cash and cash equivalents	\$ 981,656	\$ 699,058
Cash - restricted	506,799	412,437
	\$ 1,488,455	\$ 1,111,495

See accompanying notes to financial statements.

OSTEOPOROSIS CANADA

Notes to Financial Statements

Year ended March 31, 2018

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.

OSTEOPOROSIS CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2018

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.

(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, 2018

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) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand, bank balances and guaranteed investment certificates with maturity dates of 90 days or less remaining at March 31, 2018.

(d) 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, 2018

1. Significant accounting policies (continued):

(e) 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

(f) 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.

(g) 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, 2018

2. Short-term investments:

Short-term investments consist of a guaranteed investment certificate bearing an interest rate of 0.9% with a maturity date of August 10, 2018.

3. Long-term investments:

	2018	2017
Cash	\$ 77,181	\$ 65,325
Fixed income	983,662	942,028
Equities	1,674,776	1,591,999
	<u>\$ 2,735,619</u>	<u>\$ 2,599,352</u>

Investments held consist of \$30,000 (2017 - \$30,000) for the Program Fund, \$1,804,333 (2017 - \$1,720,478) for the Research Fund and \$901,286 (2017 - \$848,874) for the Reserve Fund.

The fixed income securities are invested in pooled funds and bear no specific yield to maturity or maturity dates.

4. Capital assets:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 782,235	\$ 761,009	\$ 21,226	\$ 21,579
Furniture and equipment	259,595	254,041	5,554	10,726
License fees	226,875	226,875	—	—
Computer equipment under capital lease	111,089	105,056	6,033	18,904
	<u>\$ 1,379,794</u>	<u>\$ 1,346,981</u>	<u>\$ 32,813</u>	<u>\$ 51,209</u>

OSTEOPOROSIS CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2018

5. Obligations under capital leases:

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

2019	\$ 5,971
Total minimum lease payments	5,971
Less amount representing interest (at 7.6%)	169
Present value of net minimum capital lease payments	5,802
Current portion of obligations under capital leases	5,802
	\$ —

Interest incurred during the year on obligations under capital leases amounted to \$849 (2017 - \$2,341).

6. Investment in capital assets:

	2018	2017
Balance, beginning of year	\$ 33,293	\$ 49,949
Amortization of capital assets	(34,151)	(53,324)
Additions to capital assets	15,755	14,026
Repayment on obligations under capital leases	12,114	22,642
Balance, end of year	\$ 27,011	\$ 33,293

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

OSTEOPOROSIS CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2018

7. 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 under the premises lease and equipment leases are:

2019	\$ 146,000
2020	146,000
2021	144,000
2022	53,000
2023	2,000
	<hr/>
	\$ 491,000

8. 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 (2017 - nil).

9. Financial risks:

Investments are primarily exposed to interest rate, market, foreign currency and liquidity 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 2017.

(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, 2018

9. 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.

10. 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.

11. Subsequent event:

The Board of Directors approved a re-organization effective April 1, 2018, which includes the dissolution of the Organization's Chapters.