



Financial Statements

Canadian Liver Foundation

December 31, 2017

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Independent Auditor's Report

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To the Directors of
Canadian Liver Foundation

We have audited the accompanying financial statements of **Canadian Liver Foundation** (“the Foundation”), which comprise the statement of financial position as at December 31, 2017, and the statements of operations, fund balances 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 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 in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

In common with many charitable organizations, the Foundation derives chapter and other revenues directly from the public, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Canadian Liver Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditure, and cash flows from operations for the years ended December 31, 2017 and 2016, current assets as at December 31, 2017 and 2016, and net assets as at December 31, 2017 and 2016. Our audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

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 the Foundation as at December 31, 2017 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.

Toronto, Canada
May 28, 2018



Chartered Professional Accountants
Licensed Public Accountants

Canadian Liver Foundation

Statement of Operations

Year ended December 31

	General Fund		Research Trust Funds (Note 2)		Medical Research Fund		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenue								
Donations								
Unrestricted	\$ 2,865,320	\$ 3,157,872	\$ -	\$ -	\$ -	\$ -	\$ 2,865,320	\$ 3,157,872
Restricted	-	-	2,105,911	1,705,345	-	-	2,105,911	1,705,345
Chapter revenue								
Unrestricted	1,541,873	1,573,674	-	-	-	-	1,541,873	1,573,674
Gaming	74,921	211,222	-	-	-	-	74,921	211,222
Restricted	-	-	350,000	-	-	-	350,000	-
Interest, dividends and realized capital gains	110,064	95,151	208,371	171,598	12,729	20,874	331,164	287,623
Unrealized gain (loss) on investments	28,261	54,486	77,258	128,650	16,036	43,279	121,555	226,415
	<u>4,620,439</u>	<u>5,092,405</u>	<u>2,741,540</u>	<u>2,005,593</u>	<u>28,765</u>	<u>64,153</u>	<u>7,390,744</u>	<u>7,162,151</u>
Expenditure								
Programs (Note 9)								
Chapter	239,786	164,683	-	-	-	-	239,786	164,683
Gaming	9,709	8,219	-	-	-	-	9,709	8,219
Education	816,778	729,621	-	-	-	-	816,778	729,621
Public information	471,369	482,003	-	-	-	-	471,369	482,003
Research grants and programs								
Graduate studentships	-	-	-	-	70,000	28,334	70,000	28,334
Operating grants	-	-	-	-	329,999	389,669	329,999	389,669
Summer studentships	-	-	-	-	12,000	36,000	12,000	36,000
CanHepC	-	-	718,887	382,121	-	-	718,887	382,121
CASL	-	-	340,109	303,498	-	-	340,109	303,498
Canadian Liver Research Group	-	-	-	4,182	-	-	-	4,182
Canadian Liver Meeting	-	-	119	-	-	-	119	-
CaNAL CLF	-	-	119,071	-	-	-	119,071	-
CCC-CLF	-	-	72	-	-	-	72	-
CLF-CNTRP	-	-	455,717	486,384	-	-	455,717	486,384
CLF-Sexton Liver Cancer Research	-	-	-	-	57,000	57,000	57,000	57,000
CLTN-CLF	-	-	27,068	36,539	-	-	27,068	36,539
CLF Krahn Research	-	-	400,000	250,000	-	-	400,000	250,000
CLF – RECAP	-	-	-	2,015	-	-	-	2,015
HepB Study Group	-	-	5,002	-	-	-	5,002	-
Liver Transplant Research	-	-	-	-	175,000	25,000	175,000	25,000
MUHC	-	-	1,983	56,345	-	-	1,983	56,345
Team Grant in Liver Cancer	-	-	-	-	200,000	100,000	200,000	100,000
Other	-	-	-	-	2,919	2,479	2,919	2,479
Operating								
Fundraising	1,727,208	1,682,561	-	-	-	-	1,727,208	1,682,561
Administration	1,284,802	1,304,436	-	-	-	-	1,284,802	1,304,436
	<u>4,549,652</u>	<u>4,371,523</u>	<u>2,068,028</u>	<u>1,521,084</u>	<u>846,918</u>	<u>638,482</u>	<u>7,464,598</u>	<u>6,531,089</u>
Excess (deficiency) of revenue over expenditure	\$ <u>70,787</u>	\$ <u>720,882</u>	\$ <u>673,512</u>	\$ <u>484,509</u>	\$ <u>(818,153)</u>	\$ <u>(574,329)</u>	\$ <u>(73,854)</u>	\$ <u>631,062</u>

See accompanying notes to the financial statements.

Canadian Liver Foundation

Statement of Fund Balances

Year ended December 31

	General Fund		Research Trust Funds (Note 2)		Medical Research Fund		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Fund balance, beginning of year	\$ 1,665,138	\$ 1,483,206	\$ 3,357,293	\$ 2,971,164	\$ 1,652,966	\$ 1,589,965	\$ 6,675,397	\$ 6,044,335
Excess (deficiency) of revenue over expenditure for the year	70,787	720,882	673,512	484,509	(818,153)	(574,329)	(73,854)	631,062
Interfund transfers to support activities of the Medical Research Fund	<u>(456,153)</u>	<u>(538,950)</u>	<u>(112,000)</u>	<u>(98,380)</u>	<u>568,153</u>	<u>637,330</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	\$ <u>1,279,772</u>	\$ <u>1,665,138</u>	\$ <u>3,918,805</u>	\$ <u>3,357,293</u>	\$ <u>1,402,966</u>	\$ <u>1,652,966</u>	\$ <u>6,601,543</u>	\$ <u>6,675,397</u>

The following is a summary of the above funds as at December 31 classified as restricted, unrestricted and committed:

	<u>2017</u>	<u>2016</u>
Externally restricted Research Trust Funds (Pages 16 - 17)	\$ 3,918,805	\$ 3,357,293
Committed for research (Note 6)	1,402,966	1,652,966
General fund		
Geographically restricted (Note 3)	65,211	203,002
Unrestricted funds	<u>1,214,561</u>	<u>1,462,136</u>
	<u>1,279,772</u>	<u>1,665,138</u>
	\$ <u>6,601,543</u>	\$ <u>6,675,397</u>

See accompanying notes to the financial statements.

Canadian Liver Foundation

Statement of Financial Position

As at December 31,

	General Fund		Research Trust Funds (Note 2)		Medical Research Fund		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Assets								
Current								
Cash (Note 3)	\$ 163,069	\$ 478,632	\$ 654,661	\$ 218,427	\$ 639,200	\$ 699,315	\$ 1,456,930	\$ 1,396,374
Accounts receivable	205,117	131,754	221,963	-	-	-	427,080	131,754
Prepaid expenses	22,855	23,695	-	-	-	-	22,855	23,695
	<u>391,041</u>	<u>634,081</u>	<u>876,624</u>	<u>218,427</u>	<u>639,200</u>	<u>699,315</u>	<u>1,906,865</u>	<u>1,551,823</u>
Investments (Note 4)	1,097,116	1,234,950	3,042,181	3,138,866	763,766	953,651	4,903,063	5,327,467
Capital assets (Note 5)	<u>79,019</u>	<u>85,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,019</u>	<u>85,602</u>
	<u>\$ 1,567,176</u>	<u>\$ 1,954,633</u>	<u>\$ 3,918,805</u>	<u>\$ 3,357,293</u>	<u>\$ 1,402,966</u>	<u>\$ 1,652,966</u>	<u>\$ 6,888,947</u>	<u>\$ 6,964,892</u>
Liabilities								
Current								
Payables and accruals	\$ 209,700	\$ 191,070	\$ -	\$ -	\$ -	\$ -	\$ 209,700	\$ 191,070
Deferred lease inducement	20,721	20,721	-	-	-	-	20,721	20,721
	<u>230,421</u>	<u>211,791</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>230,421</u>	<u>211,791</u>
Deferred lease inducement	56,983	77,704	-	-	-	-	56,983	77,704
	<u>287,404</u>	<u>289,495</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>287,404</u>	<u>289,495</u>
Fund balances	<u>1,279,772</u>	<u>1,665,138</u>	<u>3,918,805</u>	<u>3,357,293</u>	<u>1,402,966</u>	<u>1,652,966</u>	<u>6,601,543</u>	<u>6,675,397</u>
	<u>\$ 1,567,176</u>	<u>\$ 1,954,633</u>	<u>\$ 3,918,805</u>	<u>\$ 3,357,293</u>	<u>\$ 1,402,966</u>	<u>\$ 1,652,966</u>	<u>\$ 6,888,947</u>	<u>\$ 6,964,892</u>

Commitments (Notes 6 and 7)

On behalf of the Board

Director

Director

See accompanying notes to the financial statements.

Canadian Liver Foundation

Statement of Cash Flows – General Fund

Year ended December 31 2017 2016

Increase (decrease) in cash

Operating		
Excess of revenue over expenditure for the year	\$ 70,787	\$ 720,882
Interfund transfer	(456,153)	(538,949)
Amortization	20,638	18,747
Unrealized loss (gain) on investments	<u>(28,261)</u>	<u>(54,486)</u>
	(392,989)	146,194
Change in non-cash operating assets and liabilities		
Accounts receivable	(73,363)	41,631
Prepaid expenses	840	205
Payables and accruals	<u>18,630</u>	<u>(37,649)</u>
	(446,882)	<u>150,381</u>
Financing		
Deferred lease inducement	<u>(20,721)</u>	<u>(20,721)</u>
Investing		
Purchase of investments	(1,097,116)	(1,234,950)
Proceeds from sale of investments	1,263,211	895,269
Purchase of capital assets	<u>(14,055)</u>	<u>-</u>
	152,040	<u>(339,681)</u>
Net decrease in cash	(315,563)	(210,021)
Cash, beginning of year	<u>478,632</u>	<u>688,653</u>
Cash, end of year	\$ 163,069	\$ 478,632

See accompanying notes to the financial statements.

Canadian Liver Foundation

Notes to the Financial Statements

December 31, 2017

1. Nature of operations

Canadian Liver Foundation (the “Foundation”) was formed in 1969 under the laws of the Province of Ontario. In 1989, the Foundation was dissolved and its assets were transferred to another foundation with the same name incorporated under the Canada Corporations Act as a not-for-profit organization without share capital. The Foundation continued under the Canada Not-for-profit Corporations Act in 2014.

The objectives of the Foundation are to provide support for research and education in the causes, diagnosis, prevention and treatment of diseases of the liver. Programs have been designed by the Medical Advisory Board of the Foundation to support the training and research of Canadian investigators and for the further education of both the scientific community and the public. All programs are co-ordinated nationally to promote the most efficient use of available funds. The Foundation has established volunteer Chapters across Canada.

The Foundation is registered as a charity under Section 149(1)(f) of the Income Tax Act (Canada) and, as such, is exempt from income taxes.

2. Summary of significant accounting policies

These financial statements reflect the combined activity and financial position of the Foundation’s National Office and its volunteer Chapters across Canada. The significant accounting policies followed in preparation of these financial statements are as follows:

Basis of presentation

The Foundation has prepared these financial statements in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”).

Revenue and expenditure recognition

The accrual basis of accounting is used for reporting revenue and expenditure, except for unrestricted donations and bequests, which are accounted for on a cash basis unless the amount can be reasonably estimated and ultimate collection is reasonably assured.

Research projects are typically funded over a two to three year period, and therefore the revenue related to these projects is recorded on the accrual basis if ultimate collection is reasonably assured.

Research grants are accounted for as an expenditure on an annual basis in accordance with the terms of the respective funding agreements.

Fund accounting

The activities of the Foundation are accounted for utilizing the concepts of restricted fund accounting. Accordingly, three funds – General Fund, Research Trust Funds, and an internally restricted Medical Research Fund – have been established to account for the activities described below:

Canadian Liver Foundation

Notes to the Financial Statements

December 31, 2017

2. Summary of significant accounting policies (continued)

Fund accounting (continued)

The **General Fund** reflects the health promotion, patient support, public information, fundraising and administration activities of the Foundation. Accordingly, all revenue received and expenditures incurred for these purposes, together with all unrestricted donations received are recorded in this fund.

The **Research Trust Funds** comprise the following twenty three externally restricted funds:

W.P. Gilbride Research Trust Fund was created in 1981 in memory of a past president through donations made to the Foundation, specifically to sponsor the W.P. Gilbride Visiting Scientists program.

Sarah Ralston Endowment Fund was established in 1993 in memory of Sarah Ralston. Contributions to this Fund are applied to paediatric liver research.

Chair of Hepatology Trust Fund was created in 1995 to fund research studies at the St. Luc Hospital Hepatology Department affiliated with the University of Montreal.

CanHepC (formally known as Hepatitis C Program) was established in 2000 through Health Canada to enhance existing programs, as well as to provide new programs and services to people living with hepatitis C. In addition, the Foundation received funding to develop and distribute hepatitis C medical information to 35,000 Canadian physicians by mail. In 2002, the NCRTP-Hep C Trust Fund was established to support a national, multi-centre, trans-disciplinary program created to enhance research, training and knowledge translation in the area of hepatitis C. In July 2015, the NCRTP-HepC program expanded the research program further and re-established itself as the Canadian Network on Hepatitis C (CanHepC). The main objective of the CanHepC is to establish a continuous pipeline from discovery to implementation to reduce hepatitis C transmission, cure and improve the quality of life of people with hepatitis C, and to work towards the elimination of hepatitis C infection in Canada.

Raj Bhargava Endowment Fund was established in 2001 in memory of Raj Bhargava. Contributions to this fund are applied to research in the area of radiology of liver disease at the University of Alberta.

Irma Brecht Trust Fund was established in 2004 in memory of Irma Brecht. Contributions to this fund are applied to research into the treatment, prevention and cure of liver disease, primarily hepatitis, in the province of Alberta. This trust was closed in 2016.

CPHRG Trust Fund was established in 2008 to support research in the area of paediatric hepatology including, but not limited to research on biliary atresia, paediatric autoimmune hepatitis and primary sclerosing cholangitis.

Canadian Liver Foundation

Notes to the Financial Statements

December 31, 2017

2. Summary of significant accounting policies (continued)

Fund accounting (continued)

CASL Trust Fund was established in 2008 as a collaborative partnership agreement between Canadian Liver Foundation and CASL (Canadian Association for the Study of Liver) to support the development and management of mutually agreeable research, education and advocacy programs.

MUHC Trust Fund was established in 2008 as a collaborative partnership agreement to support research and education at the McGill University Health Centre in Montreal, Quebec.

CLF-Johnstone Research Trust Fund was established in 2011 from a bequest to be used for the purposes of liver health research in the Province of Alberta. This trust was closed in 2016.

Kenroc Trust Fund was established in 2008 to support liver cancer research with funds provided by Kenroc Building Materials Co. Ltd., a Western Canada based construction company.

CLF-Dalhousie Digestive Care & Endoscopy Trust Fund was established in 2012 as a cooperative partnership agreement to support research and training with the Dalhousie University Division of Gastroenterology in Halifax, Nova Scotia.

Canadian Liver Research Group Trust Fund was established in 2010 to support a national, multi-centre project created to increase research investment and resources and to address patient care treatment issues in Canada. The fund had no activity in the year ended December 31, 2017 and had a \$Nil balance at year end.

CLF-Lee Liver Research Trust Fund was established in 2011 as a cooperative partnership agreement to support mutually-agreeable liver research initiatives under the leadership of Dr. Samuel Lee.

Sexton Liver Cancer Research Trust Fund was established in 2012 to support designated liver cancer research with donations from Ken Sexton of Regina, Saskatchewan. The fund had no activity in the year ended December 31, 2017 and had a \$Nil balance at year end.

CLF-CNTRP Trust Fund was established in 2012 as a cooperative partnership agreement with the Canadian National Transplant Research Program (CNTRP) to enhance the survival and quality of life of Canadians needing transplantation, through multi-disciplinary, collaborative and leading-edge research.

CLF-RECAP Trust Fund was established in 2014 as a cooperative partnership agreement with the Centre for Research, Education & Clinical Care of At-Risk Populations (R.E.C.A.P.) to research the health outcomes of a collaborative model of primary and specialized care with the objective of developing a cost-effective model of care for the prevention and management of hepatitis C in New Brunswick.

Canadian Liver Foundation

Notes to the Financial Statements

December 31, 2017

2. Summary of significant accounting policies (continued)

Fund accounting (continued)

CLTN-CLF Trust Fund was established in 2015 as a cooperative partnership agreement between the CLF and the Canadian Liver Transplant Network (CLTN) to support mutually-agreeable liver transplant research, education and advocacy programs.

The **CLF-Krahn Liver Research Trust Fund** was established in 2012 as a cooperative partnership agreement to support mutually-agreeable liver research initiatives under the leadership of Dr. Murray Krahn.

The **CCC-CLF Trust Fund** was established in 2016 as a cooperative partnership agreement between the CLF and the Cirrhosis Care Clinic based in Edmonton, Alberta to support mutually-agreeable liver research, education & patient support programs.

The **CaNAL-CLF Trust Fund** was established in 2017 as a cooperative partnership agreement between the CLF and the Canadian Network for Autoimmune Liver Disease (CaNAL) to support mutually-agreeable liver research projects.

The **HepB Study Group-CLF Trust Fund** was established in 2017 as a cooperative partnership agreement between the CLF and Principle Investigators Drs. Peter Kwan and Francis Ho to support the “H Be Proactive” Study on hepatitis B prevalence in the Greater Vancouver Area.

The **CLF-Canadian Liver Meeting Trust Fund** was established in 2017 as a cooperative partnership agreement between the CLF and the Canadian Association for the Study of the Liver (CASL) to support the Canadian Liver Meeting, which is a national liver medical conference delivering mutually-agreeable liver research and education objectives.

The **Medical Research Fund** was established in 1990 to account for medical research projects established by the Board of Directors and supported primarily by the unrestricted funds of the Foundation. Donations received to fund specific medical research projects are also reflected in this fund.

Donated services and materials

These financial statements do not reflect the substantial value of services received during the year due to difficulties in determining the fair value. Donated materials are recorded as revenue when sold.

Capital assets and amortization

Furniture, fixtures and equipment are amortized using the straight line method over 5 years. Leasehold improvements are amortized on a straight-line basis over the term of the lease.

Canadian Liver Foundation

Notes to the Financial Statements

December 31, 2017

2. Summary of significant accounting policies (continued)

Deferred lease inducements

Deferred lease inducements are amortized over the 10 year term of the lease.

Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates. These estimates are based on management's best efforts and knowledge of current events and actions the Foundation may undertake. Significant estimates in these financial statements include the allocation of general fund expenses (Note 9).

Change in accounting estimates

During the year, the Foundation re-evaluated the useful life of the furniture, fixtures and equipment and determined its remaining expected useful life as five years. The Foundation has determined that it is more appropriate to amortize these assets using the straight line method over 5 years with no application of the half year rule. In 2016, furniture, fixtures and equipment was amortized over their estimated useful lives using the declining balance method at 20% per annum with one half-year's amortization taken in the year of acquisition. This change in accounting estimate has been applied prospectively. The impact on amortization expense in the current and future periods is an increase of \$2,000 per period.

Financial instruments

Initial measurement

The Foundation's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Subsequent measurement

At each reporting date, the Foundation measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for equities quoted in an active market, which must be measured at fair value. The Foundation has also irrevocably chosen to measure its investments in bonds and other fixed income instruments at fair value. All changes in fair value of the Foundation's investments in equities quoted in an active market and in bonds are recorded in the statement of operations. The Foundation uses the effective interest rate method to amortize any premiums, discounts, transaction fees and financing fees to the statement of operations for items measured at cost or amortized cost. The financial instruments measured at amortized cost are cash, accounts receivable and payables.

For financial assets measured at cost or amortized cost, the Foundation regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Foundation determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

Canadian Liver Foundation

Notes to the Financial Statements

December 31, 2017

2. Summary of significant accounting policies (continued)

Allocation of expenses

The Foundation engages in research and education programs. The costs of each program include costs directly related to providing the program, as well as an allocation of a number of general support expenses relating to personnel, premises and computer outsourcing that are common to the administration of the Foundation. Salaries and benefits are allocated to programs based on staff estimates of time spent on each functional area. Office rent and computer outsourcing costs are allocated between departments based on headcount and functional area. Fundraising costs are not allocated.

3. Restricted cash

Included in cash is \$65,211 (2016 - \$203,002) that was earned in gaming revenues, and which is restricted by the local authorities for use in the province where the gaming revenues were earned.

4. Investments

	<u>2017</u>	<u>2016</u>
Bonds	\$ 1,592,329	\$ 2,065,090
Equities	2,826,114	2,955,078
Units in income trusts	<u>484,622</u>	<u>307,299</u>
	<u>\$ 4,903,065</u>	<u>\$ 5,327,467</u>

Investments are stated at fair value at year end and have an original cost of \$4,119,713 (2016 - \$4,624,173).

5. Capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2017 Net Book Value</u>	<u>2016 Net Book Value</u>
Furniture, fixtures and equipment	\$ 144,555	\$ 120,485	\$ 24,070	\$ 18,402
Leasehold improvements	<u>438,768</u>	<u>383,819</u>	<u>54,949</u>	<u>67,200</u>
	<u>\$ 583,323</u>	<u>\$ 504,304</u>	<u>\$ 79,019</u>	<u>\$ 85,602</u>

Canadian Liver Foundation

Notes to the Financial Statements

December 31, 2017

6. Research commitments

The Foundation has awarded a number of multi-year research grants which will be funded as the research progresses and agreed reporting criteria have been met. Funding committed in future years is as follows:

2018	812,965
2019	470,001
2020	<u>120,000</u>
	\$ <u>1,402,966</u>

Subsequent to year end, at its January 2018 meeting, the Board committed to fund \$502,000 for new Liver Research in Canada projects subject to peer review by the Foundation's Medical Advisory Committee and the Canadian Association for the Study of the Liver (CASL) Research Committee. The Board also approved \$100,000 in designated liver research grants, which have been approved by the Foundation's Medical Advisory Committee and will be paid out according to funding schedules established between the Foundation and the researchers. Both of these commitments are reflected in the total research commitments of \$1,402,966.

7. Commitments

In addition to the research commitments described in Note 6, at December 31, 2017, minimum payments under operating leases for rental of premises and equipment over the next five fiscal years and thereafter approximate the following:

2018	438,877
2019	336,403
2020	298,154
2021	225,137
Thereafter	<u>40,531</u>
	\$ <u>1,339,102</u>

The above commitments schedule includes the National lease which has 45 months remaining in the term.

8. Additional information required to meet Alberta Government and Program Support Services financial statement disclosure requirements

The total amount paid as remuneration to employees of the Foundation whose principal duties involve fundraising was \$417,576 (2016 - \$450,396). The amounts paid as remuneration to a fundraising business, including expenses or fees paid by the Foundation on behalf of the fundraising business or as reimbursements to the fundraising business was \$942,789 (2016 - \$961,349).

Canadian Liver Foundation

Notes to the Financial Statements

December 31, 2017

9. General fund expense allocation

	Chapter	Gaming	Education	Public information	Fundraising	Administration	2017
Direct costs	\$ 81,809	\$ 9,709	\$ 330,202	\$ 215,243	\$ 1,394,494	\$ 372,155	\$ 2,403,612
Allocated costs							
Salaries and Benefits	157,977	-	383,607	205,611	306,870	770,986	1,825,051
Office rent	-	-	67,035	32,848	16,759	92,474	209,116
Computer Outsourcing	-	-	35,934	17,667	9,085	49,187	111,873
Total	\$ 239,786	\$ 9,709	\$ 816,778	\$ 471,369	\$ 1,727,208	\$ 1,284,802	\$ 4,549,652

	Chapter	Gaming	Education	Public information	Fundraising	Administration	2016
Direct costs	\$ 48,516	\$ 8,219	\$ 356,363	\$ 152,837	\$ 1,403,230	\$ 326,743	\$ 2,295,908
Allocated costs							
Salaries and Benefits	116,167	-	275,424	281,149	254,888	829,673	1,757,301
Office rent	-	-	66,518	32,594	16,630	105,952	221,694
Computer Outsourcing	-	-	31,316	15,423	7,813	42,068	96,620
Total	\$ 164,683	\$ 8,219	\$ 729,621	\$ 482,003	\$ 1,682,561	\$ 1,304,436	\$ 4,371,523

10. Letter of credit

The Foundation has access to a revolving demand credit facility bearing interest at Royal Bank of Canada prime rate plus 3.0% per annum to a maximum of \$100,000. The facility is secured by a general security agreement over all property. The balance outstanding under this facility was \$Nil (2016 - \$Nil) at year end.

11. Financial instrument risk

The Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Foundation's risk exposure and concentrations at December 31, 2017.

Credit risk

Credit risk arises as a result of the potential non-performance by counterparties of contract obligations which could lead to a financial loss to the Foundation. The Foundation's credit risk relates to its accounts receivable. In the opinion of management, the credit risk exposure to the Foundation is not significant due to the nature of its accounts receivable.

Canadian Liver Foundation

Notes to the Financial Statements

December 31, 2017

11. Financial instrument risk (continued)

Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting its obligations. The Foundation meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

Market risk

Market risk is the risk that the fair value of or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise of three types of risk: interest rate risk, currency risk, and other price risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of market changes in interest rates. The Foundation is subject to interest rate risk on its fixed income instruments, as disclosed in Note 4.

Currency risk

Currency risk is the risk that the fair value of or future cash flows from a financial instrument denominated in currencies other than the functional currency of the Foundation will fluctuate due to changes in foreign exchange rates. The Foundation is exposed to currency risk as it invests in foreign currency bonds and equities totaling USD \$1,073,560 (2016 - \$782,627), which are converted to the Foundation's functional currency (i.e. Canadian dollars) in determining fair value. Accordingly any change in fair value includes an element of foreign currency translation gain/loss as well as underlying change in market values for the foreign currency investments.

Other price risk

Other price risk is the risk that the fair value of or future cash flows from a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation is not subject to other price risks.

Canadian Liver Foundation

Schedule of Research Trust Funds

Year ended December 31

	W.P. Gilbride		Sarah Ralston		Chair of Hepatology		CanHepC		Raj Bhargava		Irma Brecht	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Balance, beginning of year	\$ 180,602	\$ 169,483	\$ 2,850	\$ 2,565	\$ 6,010	\$ 6,010	\$ 1,295,380	\$ 1,253,999	\$ 3,919	\$ 10,728	\$ -	\$ 766
Transfer to Medical Research Fund in support of research	(10,000)	-	(3,000)	-	-	-	-	-	(4,000)	(7,997)	-	(766)
Contributions	-	-	-	-	-	-	269,235	299,872	-	-	-	-
Chapter donations	-	-	-	-	-	-	-	-	-	-	-	-
Investment income	11,198	11,119	287	285	-	-	76,483	123,629	1,196	1,188	-	-
Program costs	-	-	-	-	-	-	(718,887)	(382,121)	-	-	-	-
Balance, end of year	\$ 181,800	\$ 180,602	\$ 137	\$ 2,850	\$ 6,010	\$ 6,010	\$ 922,211	\$ 1,295,379	\$ 1,115	\$ 3,919	\$ -	\$ -

	CPHRG		CASL		MUHC		CLF-Johnstone Research		Kenroc		CLF-Dalhousie	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Balance, beginning of year	\$ 5,361	\$ 4,847	\$ 623,784	\$ 517,456	\$ 95,594	\$ 134,956	\$ -	\$ 617	\$ 6,317	\$ 4,061	\$ 25,952	\$ 18,444
Transfer to Medical Research Fund in support of research	-	-	-	-	-	-	-	(617)	(95,000)	(89,000)	-	-
Contributions	-	-	245,008	367,516	2,500	8,000	-	-	84,140	81,315	-	-
Chapter donations	-	-	-	-	-	-	-	-	-	-	-	-
Investment income	518	514	46,183	42,310	8,682	8,983	-	-	9,105	9,941	7,576	7,508
Program costs	-	-	(340,109)	(303,498)	(1,983)	(56,345)	-	-	-	-	-	-
Balance, end of year	\$ 5,879	\$ 5,361	\$ 574,866	\$ 623,784	\$ 104,793	\$ 95,594	\$ -	\$ -	\$ 4,562	\$ 6,317	\$ 33,528	\$ 25,952

Canadian Liver Foundation

Schedule of Research Trust Funds (continued)

Year ended December 31

	Canadian Liver Research		CLF-Lee Liver Research		CLF-CNTRP		Sexton Liver Cancer Research		CLF - RECAP		CLTN-CLF	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Balance, beginning of year	\$ -	\$ 4,182	\$ 11,400	\$ 11,400	\$ 1,027,380	\$ 829,776	\$ -	\$ -	\$ 3,374	\$ 1,874	\$ 69,371	\$ -
Transfer to Medical Research Fund in support of research	-	-	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	548,548	593,127	-	-	950	3,515	5,000	102,000
Chapter donations	-	-	-	-	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	94,164	90,861	-	-	-	-	4,553	3,910
Program costs	-	(4,182)	-	-	(455,717)	(486,384)	-	-	-	(2,015)	(27,068)	(36,539)
Balance, end of year	\$ -	\$ -	\$ 11,400	\$ 11,400	\$ 1,214,375	\$ 1,027,380	\$ -	\$ -	\$ 4,324	\$ 3,374	\$ 51,856	\$ 69,371

	CLF - Krahn		CaNAL-CLF		CCC-CLF		Hep B Study Group		Liver Meeting		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Balance, beginning of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,357,293	\$ 2,971,164
Transfer to Medical Research Fund in support of research	-	-	-	-	-	-	-	-	-	-	(112,000)	(98,380)
Contributions	400,000	250,000	280,435	-	95	-	-	-	270,000	-	2,105,911	1,705,345
Chapter donations	-	-	-	-	-	-	350,000	-	-	-	350,000	-
Investment income	-	-	624	-	-	-	25,060	-	-	-	285,629	300,248
Program costs	(400,000)	(250,000)	(119,071)	-	(72)	-	(5,002)	-	(119)	-	(2,068,028)	(1,521,084)
Balance, end of year	\$ -	\$ -	\$ 161,988	\$ -	\$ 23	\$ -	\$ 370,058	\$ -	\$ 269,881	\$ -	\$ 3,918,805	\$ 3,357,293