



Financial Statements

Canadian Liver Foundation

December 31, 2019

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# Independent Auditor's Report

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To the Directors of  
**Canadian Liver Foundation**

## Qualified opinion

We have audited the financial statements of Canadian Liver Foundation (“the Foundation”), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Canadian Liver Foundation as at December 31, 2019 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.

## Basis for qualified opinion

In common with many not-for-profit and 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, verification of these revenues was limited to the amounts recorded in the records of the 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, 2019 and 2018, current assets as at December 31, 2019 and 2018, and fund balances as at December 31, 2019 and 2018. Our audit opinion on the financial statements for the year ended December 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

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 the Foundation 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 qualified opinion.

## 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation'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.
- 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 Foundation'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 Foundation'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 Foundation 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.



Toronto, Canada  
April 15, 2020

Chartered Professional Accountants  
Licensed Public Accountants

# Canadian Liver Foundation

## Statement of Operations

Year ended December 31, 2019

	General Fund		Research Trust Funds (Note 2)		Medical Research Fund		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>Revenue</b>								
Donations								
Unrestricted	\$ 2,647,457	\$ 2,752,434	\$ -	\$ -	\$ -	\$ -	\$ 2,647,457	\$ 2,752,434
Restricted	-	-	1,965,119	2,080,065	-	-	1,965,119	2,080,065
Chapter revenue								
Unrestricted	2,144,030	1,760,766	-	-	-	-	2,144,030	1,760,766
Gaming	154,737	232,881	-	-	-	-	154,737	232,881
Restricted	-	-	-	100,000	-	-	-	100,000
Interest, dividends and realized capital gains	123,264	98,247	241,067	202,363	22,009	7,017	386,340	307,627
Unrealized gain (loss) on investments	116,975	(69,833)	166,386	(203,551)	50,857	(40,129)	334,218	(313,513)
	<u>5,186,463</u>	<u>4,774,495</u>	<u>2,372,572</u>	<u>2,178,877</u>	<u>72,866</u>	<u>(33,112)</u>	<u>7,631,901</u>	<u>6,920,260</u>
<b>Expenditure</b>								
Programs (Note 9)								
Chapter	223,407	227,958	-	-	-	-	223,407	227,958
Gaming	14,828	18,678	-	-	-	-	14,828	18,678
Education	691,902	762,977	-	-	-	-	691,902	762,977
Public information	442,070	447,359	-	-	-	-	442,070	447,359
Research grants and programs								
Graduate studentships	-	-	-	-	10,000	16,667	10,000	16,667
Operating grants	-	-	-	-	415,000	389,999	415,000	389,999
Summer studentships	-	-	-	-	4,000	4,000	4,000	4,000
CanHepC	-	-	133,858	112,495	-	-	133,858	112,495
CASL	-	-	301,452	362,717	-	-	301,452	362,717
Canadian Liver Meeting	-	-	512,009	379,881	-	-	512,009	379,881
CaNAL CLF	-	-	251,478	268,530	-	-	251,478	268,530
CCC-CLF	-	-	-	72	-	-	-	72
W.P. Gilbride	-	-	7,647	-	-	-	7,647	-
CLF-CNTRP	-	-	685,507	293,319	-	-	685,507	293,319
CLTN-CLF	-	-	4,279	2,872	-	-	4,279	2,872
CLF Krahn Research	-	-	-	350,000	-	-	-	350,000
CLF – HCV2020	-	-	17	-	-	-	17	-
CLF – RECAP	-	-	-	2	-	-	-	2
Liver Research Grant	-	-	-	-	20,000	-	20,000	-
CIHR-CASL-CLF Fellowship	-	-	-	-	21,667	-	21,667	-
Dalhousie GI & Liver Research	-	-	-	-	50,000	-	50,000	-
HepB Study Group	-	-	85,310	260,786	-	-	85,310	260,786
Liver Transplant Research	-	-	-	-	-	100,000	-	100,000
Team Grant in Liver Cancer	-	-	-	-	100,000	200,000	100,000	200,000
Other	-	-	-	-	1,931	1,569	1,931	1,569
Operating								
Fundraising	1,447,481	1,568,353	-	-	-	-	1,447,481	1,568,353
Administration	1,501,326	1,401,543	-	-	-	-	1,501,326	1,401,543
	<u>4,321,014</u>	<u>4,426,868</u>	<u>1,981,557</u>	<u>2,030,674</u>	<u>622,598</u>	<u>712,235</u>	<u>6,925,169</u>	<u>7,169,777</u>
Excess (deficiency) of revenue over expenditure	\$ 865,449	\$ 347,627	\$ 391,015	\$ 148,203	\$ (549,732)	\$ (745,347)	\$ 706,732	\$ (249,517)

See accompanying notes to the financial statements.

## Canadian Liver Foundation Statement of Fund Balances

Year ended December 31, 2019

	General Fund		Research Trust Funds (Note 2)		Medical Research Fund		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>Fund balance, beginning of year</b>	<b>\$ 1,446,054</b>	\$ 1,279,772	<b>\$ 3,949,508</b>	\$ 3,918,805	<b>\$ 956,464</b>	\$ 1,402,966	<b>\$ 6,352,026</b>	\$ 6,601,543
Excess (deficiency) of revenue over expenditure for the year	<b>865,449</b>	347,627	<b>391,015</b>	148,203	<b>(549,732)</b>	(745,347)	<b>706,732</b>	(249,517)
Interfund transfers to support activities of the Medical Research Fund	<b>(331,275)</b>	(181,345)	<b>(115,493)</b>	(117,500)	<b>446,768</b>	298,845	<b>-</b>	-
<b>Fund balance, end of year</b>	<b>\$ 1,980,228</b>	\$ 1,446,054	<b>\$ 4,225,030</b>	\$ 3,949,508	<b>\$ 853,500</b>	\$ 956,464	<b>\$ 7,058,758</b>	\$ 6,352,026

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

	2019	2018
Externally restricted Research Trust Funds (Pages 16 - 18)	<b>\$ 4,225,030</b>	\$ 3,949,508
Committed for research (Note 6)	<b>853,500</b>	956,464
General fund		
Geographically restricted (Note 3)	<b>139,909</b>	215,822
Unrestricted funds	<b>1,840,319</b>	1,230,232
	<b>1,980,228</b>	1,446,054
	<b>\$ 7,058,758</b>	\$ 6,352,026

See accompanying notes to the financial statements.

# Canadian Liver Foundation

## Statement of Financial Position

As at December 31, 2019

	General Fund		Research Trust Funds (Note 2)		Medical Research Fund		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>Assets</b>								
Current								
Cash and cash equivalents (Note 3)	\$ 691,388	\$ 701,522	\$ 1,045,683	\$ 906,336	\$ 77,265	\$ 129,999	\$ 1,814,336	\$ 1,737,857
Accounts receivable	106,214	116,023	38,645	-	-	-	144,859	116,023
Prepaid expenses	24,173	11,259	-	-	-	-	24,173	11,259
	<u>821,775</u>	<u>828,804</u>	<u>1,084,328</u>	<u>906,336</u>	<u>77,265</u>	<u>129,999</u>	<u>1,983,368</u>	<u>1,865,139</u>
Investments (Note 4)	1,294,060	783,877	3,140,702	3,043,172	776,235	826,465	5,210,997	4,653,514
Capital assets (Note 5)	48,140	64,073	-	-	-	-	48,140	64,073
	<u>\$ 2,163,975</u>	<u>\$ 1,676,754</u>	<u>\$ 4,225,030</u>	<u>\$ 3,949,508</u>	<u>\$ 853,500</u>	<u>\$ 956,464</u>	<u>\$ 7,242,505</u>	<u>\$ 6,582,726</u>
<b>Liabilities</b>								
Current								
Payables and accruals	\$ 147,485	\$ 173,717	\$ -	\$ -	\$ -	\$ -	\$ 147,485	\$ 173,717
Deferred lease inducement	20,721	20,721	-	-	-	-	20,721	20,721
	<u>168,206</u>	<u>194,438</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>168,206</u>	<u>194,438</u>
Deferred lease inducement	15,541	36,262	-	-	-	-	15,541	36,262
	<u>183,747</u>	<u>230,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>183,747</u>	<u>230,700</u>
Fund balances	1,980,228	1,446,054	4,225,030	3,949,508	853,500	956,464	7,058,758	6,352,026
	<u>\$ 2,163,975</u>	<u>\$ 1,676,754</u>	<u>\$ 4,225,030</u>	<u>\$ 3,949,508</u>	<u>\$ 853,500</u>	<u>\$ 956,464</u>	<u>\$ 7,242,505</u>	<u>\$ 6,582,726</u>

Commitments (Notes 6 and 7)

On behalf of the Board

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

See accompanying notes to the financial statements.

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## Canadian Liver Foundation

### Statement of Cash Flows – General Fund

Year ended December 31

2019

2018

Increase (decrease) in cash and cash equivalents

<b>Operating</b>		
Excess of revenue over expenditure for the year	\$ 865,449	\$ 347,627
Interfund transfer	(331,276)	(181,346)
Amortization	19,992	20,439
Unrealized loss (gain) on investments	<u>(116,975)</u>	<u>69,833</u>
	437,190	256,553
Change in non-cash operating assets and liabilities		
Accounts receivable	9,808	89,093
Prepaid expenses	(12,915)	11,593
Payables and accruals	<u>(26,232)</u>	<u>(35,985)</u>
	<u>407,851</u>	<u>321,254</u>
<b>Financing</b>		
Deferred lease inducement	<u>(20,721)</u>	<u>(20,721)</u>
<b>Investing</b>		
Purchase of investments	(1,294,060)	(783,876)
Proceeds from sale of investments	900,853	1,027,288
Purchase of capital assets	<u>(4,059)</u>	<u>(5,492)</u>
	<u>(397,266)</u>	<u>237,920</u>
Net (decrease) increase in cash	(10,136)	538,453
Cash and cash equivalents, beginning of year	<u>701,522</u>	<u>163,069</u>
Cash and cash equivalents, end of year	<u>\$ 691,388</u>	<u>\$ 701,522</u>

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See accompanying notes to the financial statements.



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# Canadian Liver Foundation

## Notes to the Financial Statements

December 31, 2019

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### 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.

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### 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:

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.

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## Canadian Liver Foundation

### Notes to the Financial Statements

December 31, 2019

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#### 2. Summary of significant accounting policies (continued)

##### Fund accounting (continued)

The **Research Trust Funds** comprise the following twenty five 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.

**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.

**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.

**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.

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## Canadian Liver Foundation

### Notes to the Financial Statements

December 31, 2019

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#### 2. Summary of significant accounting policies (continued)

##### Fund accounting (continued)

**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, 2019 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, 2019 and had a \$Nil balance at year end.

**CLF-CDTRP Trust Fund** (previously known as the 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. In 2019, the Canadian National Transplant Research Program (CNTRP) has changed its program name to the Canadian Donation and Transplantation Research Program (CDTRP).

**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.

**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 fund had no activity in the year ended December 31, 2019 and had a \$Nil balance at year end.

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.

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# Canadian Liver Foundation

## Notes to the Financial Statements

December 31, 2019

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### 2. Summary of significant accounting policies (continued)

#### Fund accounting (continued)

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 **CLF-SIDCN Trust Fund** was established in 2019 as a cooperative partnership agreement between the CLF and the Saskatchewan Infectious Disease Care Network based in Saskatoon, Saskatchewan to support mutually-agreeable liver research, education & patient support programs to improve liver health in first Nations communities in Saskatchewan.

The **CLF-UCalgary Trust Fund** was established in 2019 as a cooperative partnership agreement between the CLF and the Governors of the University of Calgary to support mutually-agreeable liver research and education activities which will improve clinical care, increase research productivity and enhance education in liver disease in Southern Alberta.

The **CLF-HCV2020 Trust Fund** was established in 2019 as a cooperative partnership agreement between the CLF and the Canadian Secretariat of the 27<sup>th</sup> Symposium on Hepatitis C Virus and Related Viruses – HCV2020 (taking place July 2020 in Montreal) in order to work on a mutually-agreeable medical education symposium which will focus on hepatitis C virus elimination by bringing together researchers from around the world to discuss challenges and identify novel approaches to tackle them.

The **CLF-CanNASH Trust Fund** was established in 2019 as a cooperative partnership agreement between the CLF and the Steering Committee of the Canadian NASH Network in order to work on mutually-agreeable research, education and patient support activities related specifically to Non-Alcoholic Fatty Liver Disease (NAFLD) and Non-Alcoholic Steatohepatitis (NASH). The CanNASH is a collaborative organization of health care professionals from across Canada with a primary interest in enhancing understanding, care of, education and research in persons with NAFLD with a vision of best practices for the disease state. The fund had no activity in the year ended December 31, 2019 and had a \$Nil balance at year end.

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.

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# Canadian Liver Foundation

## Notes to the Financial Statements

December 31, 2019

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### 2. Summary of significant accounting policies (continued)

#### 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.

#### 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).

#### 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.

#### 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.

# Canadian Liver Foundation

## Notes to the Financial Statements

December 31, 2019

### 3. Restricted cash

Included in cash and cash equivalents are restricted amounts as follows:

#### a) Gaming revenues

\$139,909 (2018 - \$215,822) earned in gaming revenues, and which is restricted by the local authorities for use in the province where the gaming revenues were earned.

#### b) Investments held in cash and cash equivalents

\$450,320 (2018 - \$218,329) being held in the Foundation's investment account in accordance with the Investment Policy Statement (IPS) approved by the Foundation's Board of Directors. This amount is intended for deployment in investing activities under the Foundation's IPS and as such is not generally available for use towards operating expenses. As at December 31, 2019, \$121,870 (2018 - \$Nil) of this restricted balance has been used towards the purchase of investments which were processed by the investment manager subsequent to year end.

### 4. Investments

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 450,320	\$ 218,329
Bonds	1,520,497	1,477,911
Equities	3,368,171	2,734,086
Units in income trusts	<u>322,330</u>	<u>441,517</u>
	<u>5,661,318</u>	4,871,843
Less cash and cash equivalents (Note 3(b))	<u>(450,320)</u>	<u>(218,329)</u>
	<u>\$ 5,210,998</u>	<u>\$ 4,653,514</u>

Investments are stated at fair value at year end and have an original cost of \$4,137,909 (2018 - \$4,055,814).

### 5. Capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2019 Net Book Value</u>	<u>2018 Net Book Value</u>
Furniture, fixtures and equipment	\$ 422,972	\$ 399,591	\$ 23,381	\$ 23,650
Leasehold improvements	<u>169,902</u>	<u>145,143</u>	<u>24,759</u>	<u>40,423</u>
	<u>\$ 592,874</u>	<u>\$ 544,734</u>	<u>\$ 48,140</u>	<u>\$ 64,073</u>

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## Canadian Liver Foundation

### Notes to the Financial Statements

December 31, 2019

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#### 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:

2020	\$	438,500
2021		295,000
2022		<u>120,000</u>
	\$	<u>853,500</u>

Subsequent to year end, at its January 2020 meeting, the Board committed to fund \$558,500 for new Liver Research in Canada projects subject to peer review by the Foundation's Medical Advisory Committee. These commitments are reflected in the total research commitments of \$853,500.

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#### 7. Commitments

In addition to the research commitments described in Note 6, at December 31, 2019, minimum lease payments under operating leases for rental of premises and equipment over the next five fiscal years approximate the following:

2020	\$	415,996
2021		258,180
2022		59,127
2023		41,060
2024		<u>25,510</u>
	\$	<u>799,873</u>

The above commitments schedule includes the National lease which has 21 months remaining in the term.

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#### 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 \$390,374 (2018 - \$397,965). 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 \$979,040 (2018 - \$1,003,163).

# Canadian Liver Foundation

## Notes to the Financial Statements

December 31, 2019

### 9. General fund expense allocation

	<u>Chapter</u>	<u>Gaming</u>	<u>Education</u>	<u>Public information</u>	<u>Fundraising</u>	<u>Administration</u>	<u>2019</u>
Direct costs	\$ 61,060	\$ 14,828	\$ 208,186	\$ 178,700	\$ 1,290,596	\$ 396,867	\$ 2,150,237
Allocated costs							
Salaries and Benefits	162,347	-	384,290	213,614	132,064	960,582	1,852,897
Office rent	-	-	69,250	34,625	17,313	103,249	224,437
Computer Outsourcing	-	-	30,176	15,131	7,508	40,628	93,443
<b>Total</b>	<b>\$ 223,407</b>	<b>\$ 14,828</b>	<b>\$ 691,902</b>	<b>\$ 442,070</b>	<b>\$ 1,447,481</b>	<b>\$ 1,501,326</b>	<b>\$ 4,321,014</b>

  

	<u>Chapter</u>	<u>Gaming</u>	<u>Education</u>	<u>Public information</u>	<u>Fundraising</u>	<u>Administration</u>	<u>2018</u>
Direct costs	\$ 32,984	\$ 18,678	\$ 254,645	\$ 177,566	\$ 1,348,581	\$ 349,175	\$ 2,181,629
Allocated costs							
Salaries and Benefits	194,974	-	406,169	218,469	194,232	916,228	1,930,072
Office rent	-	-	67,860	33,930	16,965	92,470	211,225
Computer Outsourcing	-	-	34,303	17,394	8,575	43,670	103,942
<b>Total</b>	<b>\$ 227,958</b>	<b>\$ 18,678</b>	<b>\$ 762,977</b>	<b>\$ 447,359</b>	<b>\$ 1,568,353</b>	<b>\$ 1,401,543</b>	<b>\$ 4,426,868</b>

### 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 (6.95% at December 31, 2019) 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 (2018 - \$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, 2019.

#### 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.

#### 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.



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# Canadian Liver Foundation

## Notes to the Financial Statements

December 31, 2019

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### 11. Financial instrument risk (continued)

#### **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 \$1,285,612 (2018 – USD \$1,078,945), 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.

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### 12. Subsequent event

Since January 1, 2020, the spread of Covid-19 has severely impacted many local economies around the globe. In many countries, including Canada, organizations and businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to organizations worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Foundation has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. The duration and impact of the Covid-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Foundation for future periods.

## Canadian Liver Foundation Schedule of Research Trust Funds

Year ended December 31

	W.P. Gilbride		Sarah Ralston		Chair of Hepatology		CanHepC		Raj Bhargava	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Balance, beginning of year	\$ 171,895	\$ 181,800	\$ 139	\$ 137	\$ 6,010	\$ 6,010	\$ 896,379	\$ 922,211	\$ 1,167	\$ 1,115
Transfer to Medical Research Fund in support of research	(10,000)	(10,000)	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	218,190	88,000	-	-
Chapter donations	-	-	-	-	-	-	-	-	-	-
Investment income	18,995	95	520	2	-	-	147,076	(1,337)	527	52
Program costs	(7,647)	-	-	-	-	-	(133,858)	(112,495)	-	-
Balance, end of year	\$ 173,244	\$ 171,895	\$ 659	\$ 139	\$ 6,010	\$ 6,010	\$ 1,127,787	\$ 896,379	\$ 1,694	\$ 1,167

	CPHRG		CASL		MUHC		Hep B Study Group		CLF-Dalhousie	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Balance, beginning of year	\$ 5,884	\$ 5,879	\$ 683,716	\$ 574,866	\$ 106,367	\$ 104,793	\$ 208,641	\$ 370,058	\$ 38,611	\$ 33,528
Transfer to Medical Research Fund in support of research	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	528,799	471,233	-	1,500	-	-	-	-
Chapter donations	-	-	-	-	-	-	-	100,000	-	-
Investment income	876	5	78,349	334	14,003	74	13,162	(631)	3,656	5,083
Program costs	-	-	(301,452)	(362,717)	-	-	(85,310)	(260,786)	-	-
Balance, end of year	\$ 6,760	\$ 5,884	\$ 989,411	\$ 683,716	\$ 120,370	\$ 106,367	\$ 136,492	\$ 208,641	\$ 42,267	\$ 38,611

## Canadian Liver Foundation

### Schedule of Research Trust Funds (continued)

Year ended December 31

	Liver Meeting		CLF-Lee Liver Research		CLF-CDTRP		Kenroc		CLF - RECAP	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Balance, beginning of year	\$ -	\$ 269,881	\$ 11,400	\$ 11,400	\$ 1,558,119	\$ 1,214,375	\$ 7,869	\$ 4,562	\$ 4,351	\$ 4,324
Transfer to Medical Research Fund in support of research	-	-	-	-	-	-	(105,493)	(107,500)	-	-
Contributions	739,300	110,000	-	-	42,842	642,841	105,487	107,514	-	29
Chapter donations	-	-	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	116,096	(5,778)	143	3,293	-	-
Program costs	(512,009)	(379,881)	-	-	(685,507)	(293,319)	-	-	-	(2)
Balance, end of year	\$ 227,291	\$ -	\$ 11,400	\$ 11,400	\$ 1,031,550	\$ 1,558,119	\$ 8,006	\$ 7,869	\$ 4,351	\$ 4,351

	CLTN-CLF		CLF - Krahn		CaNAL-CLF		CCC-CLF		HCV2020	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Balance, beginning of year	\$ 49,094	\$ 51,856	\$ -	\$ -	\$ 195,166	\$ 161,988	\$ 4,701	\$ 23	\$ -	\$ -
Transfer to Medical Research Fund in support of research	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	350,000	102,235	304,198	-	4,750	13,266	-
Chapter donations	-	-	-	-	-	-	-	-	-	-
Investment income	4,383	110	-	-	9,246	(2,490)	-	-	-	-
Program costs	(4,279)	(2,872)	-	(350,000)	(251,478)	(268,530)	-	(72)	(17)	-
Balance, end of year	\$ 49,198	\$ 49,094	\$ -	\$ -	\$ 55,169	\$ 195,166	\$ 4,701	\$ 4,701	\$ 13,249	\$ -

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## Canadian Liver Foundation

### Schedule of Research Trust Funds (continued)

Year ended December 31

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	CLF-UCalgary		SIDCN		Total	
	2019	2018	2019	2018	2019	2018
Balance, beginning of year	\$ -	\$ -	\$ -	\$ -	\$ 3,949,508	\$ 3,918,805
Transfer to Medical Research Fund in support of research	-	-	-	-	(115,493)	(117,500)
Contributions	115,000	-	100,000	-	1,965,119	2,080,065
Chapter donations	-	-	-	-	-	100,000
Investment income	-	-	421	-	407,453	(1,188)
Program costs	-	-	-	-	(1,981,557)	(2,030,674)
Balance, end of year	<u>\$ 115,000</u>	<u>\$ -</u>	<u>\$ 100,421</u>	<u>\$ -</u>	<u>\$ 4,225,030</u>	<u>\$ 3,949,508</u>

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