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**Rare Disease Foundation**  
**Financial Statements**  
**May 31, 2019**

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## Independent Auditor's Report

To the Board of Directors of Rare Disease Foundation

### Report on the Audit of the Financial Statements

#### Qualified Opinion

We have audited the financial statements of Rare Disease Foundation (the "Foundation"), which comprise the statement of financial position as at May 31, 2019, and the statement of operations and changes in net assets and statement of 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 Foundation as at May 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 organizations, the Foundation derives revenue from fundraising activities 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 fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended May 31, 2019 and assets and net assets as at May 31, 2019. Our audit opinion on the financial statements for the year ended May 31, 2019 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 audit opinion.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

### Report on Other Legal and Regulatory Requirements

As required by the *Societies Act* (British Columbia), we report that, in our opinion, the accounting principles in the Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Vancouver, B.C.  
August 24, 2019

**Chartered Professional Accountants**

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# Rare Disease Foundation

## Statement of Financial Position

May 31, 2019

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	2019	2018
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	825,405	882,865
Amounts receivable	5,930	4,685
Prepaid expenses	<u>17,895</u>	<u>14,825</u>
	849,230	902,375
 Term deposit	 <u>104,000</u>	 <u>100,000</u>
	 953,230	 1,002,375
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	119,035	67,894
Deferred revenue (Note 3)	<u>392,300</u>	<u>583,858</u>
	511,335	651,752
<b>Net assets</b>		
Unrestricted	<u>441,895</u>	<u>350,623</u>
	953,230	1,002,375

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*The accompanying notes are an integral part of these financial statements.*

Approved by the Board

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

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

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# Rare Disease Foundation

## Statement of Operations and Changes in Net Assets

Year ended May 31, 2019

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	2019	2018
	\$	\$
		(Note 6)
<b>Revenue</b>		
General donations	113,124	377,737
Grants	385,549	195,450
Fundraising events - Rare Finds	99,449	126,108
Fundraising events - Outrun Rare	261,852	34,150
Fundraising events - other	14,184	20,148
Interest	12,514	1,145
	<u>886,672</u>	<u>754,738</u>
<b>Expenses</b>		
Advertising	4,410	17,097
Bank charges	6,674	6,018
Consulting fees (Note 5)	213,543	110,799
Fundraising events	146,319	70,488
Office	23,984	22,278
Professional fees	36,141	14,447
Program - Patient & Family Support	4,933	7,707
Program - Rare Disease Research	352,159	242,155
Travel	7,660	3,771
	<u>795,823</u>	<u>494,760</u>
Excess of revenue over expenses from operations	<u>90,849</u>	<u>259,978</u>
<b>Other items</b>		
Gain on foreign exchange	423	-
Gain (loss) on sale of marketable securities	-	(5,049)
	<u>423</u>	<u>(5,049)</u>
<b>Excess of revenue over expenses for the year</b>	91,272	254,929
Net assets, beginning of year	<u>350,623</u>	<u>95,694</u>
<b>Net assets, end of year</b>	<u>441,895</u>	<u>350,623</u>

*The accompanying notes are an integral part of these financial statements.*

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# Rare Disease Foundation

## Statement of Cash Flows

Year ended May 31, 2019

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	2019	2018
	\$	\$
<b>Cash flows from (used in) operating activities</b>		
Excess of revenue over expenses for the year	91,272	254,929
Changes in non-cash working capital		
Amounts receivable	(1,245)	5,512
Prepaid expenses	(3,070)	(9,189)
Accounts payable and accrued liabilities	51,141	37,959
Deferred revenue	(191,558)	375,494
	<u>(53,460)</u>	<u>664,705</u>
<b>Cash flows from (used in) investing activities</b>		
Purchase of term deposit	-	(100,000)
Reinvested interest on term deposit	(4,000)	-
	<u>(4,000)</u>	<u>(100,000)</u>
<b>Increase (decrease) in cash during the year</b>	(57,460)	564,705
Cash, beginning of year	<u>882,865</u>	<u>318,160</u>
<b>Cash, end of year</b>	<u>825,405</u>	<u>882,865</u>
<b>Cash and cash equivalents consists of:</b>		
Cash	675,405	582,865
Guaranteed investment certificates	<u>150,000</u>	<u>300,000</u>
	<u>825,405</u>	<u>882,865</u>

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*The accompanying notes are an integral part of these financial statements.*

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# Rare Disease Foundation

## Notes to the Financial Statements

May 31, 2019

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### 1. Organization

The Rare Disease Foundation (the "Foundation") was incorporated on February 5, 2009, commenced activities on June 1, 2009 and continued under the *Societies Act* (British Columbia) in November 2017. The primary objectives of the Foundation are to provide support services to individuals afflicted with rare diseases and their families, to advance education by funding research into rare diseases that is made available to the public, and to gift funds to qualified donees.

The Foundation is a charitable organization and is therefore tax-exempt under Paragraph 149(1)(f) of the *Income Tax Act (Canada)* as long as certain criteria continue to be met.

### 2. Accounting policies

#### Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations which necessarily involves the use of estimates. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of significant accounting policies summarized below.

#### Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

#### Cash and cash equivalents

Cash and cash equivalents consist of cash and guaranteed investment certificates redeemable within 90 days at the time of purchase.

#### Term deposits

Term deposits are recorded at amortized cost and include non-redeemable guaranteed investment certificates.

#### Capital assets

Capital assets are expensed in the year of acquisition. Capital assets owned by the Foundation are comprised of website development costs.

#### Revenue recognition

The Foundation derives revenue from fundraising events and donations, which is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Foundation follows the deferral method of accounting for revenue. Restricted contributions are deferred and recognized as revenue in the year related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest income is recognized as revenue as earned and when collection is believed to be reasonably assured.

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# Rare Disease Foundation

## Notes to the Financial Statements

May 31, 2019

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### 2. Accounting policies - continued

#### Donated goods and services

The Foundation and its members benefit greatly from donated services and facilities in the form of volunteer time. The Foundation also receives donated goods and services to be auctioned at fundraising events. Because of the difficulty in determining their fair value, the donated goods and services are not recognized in these financial statements. Proceeds from the auction sale of goods and services donated are reflected as fundraising revenue.

### 3. Deferred revenue

Deferred revenue is mainly comprised of contributions from donors intended for the Rare Disease Research Program, Patient & Family Support Program, Rare Disease Day and promotional costs and grant writing costs for the Foundation.

Changes in the deferred revenue balance during the year are as follows:

	2019	2018
	\$	\$
<b>Balance, beginning of year</b>	583,858	208,364
Add: Contributions received during the year	270,729	649,400
Less: Contribution revenue recognized	<u>(462,287)</u>	<u>(273,906)</u>
<b>Balance, end of year</b>	<u>392,300</u>	<u>583,858</u>

### 4. Financial instruments

Financial instruments consist of cash and cash equivalents, amounts receivable, term deposit, and accounts payable and accrued liabilities.

#### Credit risk

Amounts receivable is exposed to credit risk due to the potential for counterparties to default on their contractual obligations. The maximum potential loss on the amounts receivable balance is equal to its carrying amount. The Foundation mitigates its credit risk exposure by only dealing with donors or contributors who are believed to be creditworthy.

### 5. Remuneration paid to employees and contractors

Under the *Societies Act* (British Columbia), the Foundation is required to disclose the number of, and total remuneration paid to, employees and contractors with remuneration over \$ 75,000 in the fiscal year. The details are as follows:

	2019	2018
	\$	\$
Remuneration paid to Executive Director	93,500	80,000

### 6. Comparative figures

Certain 2018 figures have been reclassified to conform to the presentation used in the current year.