

BC Rare Disease Foundation
FINANCIAL STATEMENTS
May 31, 2012

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
BC Rare Disease Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of BC Rare Disease Foundation, which comprise the statement of financial position as at May 31, 2012 and the statement of operations and changes in net assets and the statement of 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 generally accepted accounting principles, 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 is sufficient and appropriate to provide a basis for our audit opinion.

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Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from donations and fundraising events, the completeness of which are not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, assets and net assets.

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 May 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that in our opinion these principles have been applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
September 24, 2012



Chartered Accountants

BC Rare Disease Foundation
STATEMENT OF FINANCIAL POSITION
May 31, 2012

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 116,908	\$ 74,067
Amounts receivable	11,178	3,344
Prepaid expenses	<u>—</u>	<u>2,290</u>
	\$ <u>128,086</u>	\$ <u>79,701</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 7,912	\$ 12,994
Deferred revenue (Note 3)	<u>18,819</u>	<u>—</u>
	26,731	12,994
NET ASSETS		
UNRESTRICTED	<u>101,355</u>	<u>66,707</u>
	\$ <u>128,086</u>	\$ <u>79,701</u>

See accompanying notes to the financial statements.

Approved by the Board _____ Director _____ Director

BC Rare Disease Foundation
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
Year ended May 31, 2012

	<u>2012</u>	<u>2011</u>
REVENUE		
Fundraising events		
Rare Finds	\$ 112,606	\$ 49,534
Other	28,120	-
General donations	90,299	60,224
Interest	<u>126</u>	<u>46</u>
	<u>231,151</u>	<u>109,804</u>
EXPENSES		
Advertising and promotion	5,875	1,956
Bank charges	317	210
Fundraising events	60,110	40,528
Office	10,702	24,006
Parent Support Program	1,181	-
Professional fees	12,540	8,023
Rare disease research grants	<u>105,778</u>	<u>-</u>
	<u>196,503</u>	<u>74,723</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	34,648	35,081
NET ASSETS, beginning of year	<u>66,707</u>	<u>31,626</u>
NET ASSETS, end of year	\$ <u>101,355</u>	\$ <u>66,707</u>

See accompanying notes to the financial statements.

BC Rare Disease Foundation
STATEMENT OF CASH FLOWS
Year ended May 31, 2012

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	\$ 34,648	\$ 35,081
Changes in non-cash working capital		
(Increase) decrease in		
Amounts receivable	(7,834)	(3,161)
Prepaid expenses	2,290	(2,290)
Increase (decrease) in		
Accounts payable and accrued liabilities	(5,082)	12,892
Deferred revenue	<u>18,819</u>	<u>-</u>
INCREASE IN CASH DURING THE YEAR	42,841	42,522
CASH, beginning of year	<u>74,067</u>	<u>31,545</u>
CASH, end of year	\$ <u>116,908</u>	\$ <u>74,067</u>

See accompanying notes to the financial statements.

BC Rare Disease Foundation

NOTES TO THE FINANCIAL STATEMENTS

May 31, 2012

1. ORGANIZATION

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

The Foundation is a charitable organization and is therefore tax-exempt under Section 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 generally accepted accounting principles 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.

Capital assets

Capital assets are expensed in the year of acquisition. The cost of capital assets acquired by the Foundation during the year was \$ 3,594 (2011 – \$ 20,045). Capital assets owned by the Foundation are comprised of website development costs.

Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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.

Revenue recognition

The Foundation derives its revenue from fundraising events and donations. The Foundation follows the deferral method of accounting for revenue. Revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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

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. The property received for auctioned items are reflected as fundraising revenue.

Financial instruments

CICA Handbook Sections 3855 and 3861 set out criteria for the recognition, measurement, disclosure and presentation of financial instruments, and requires all financial instruments within its scope, including derivatives, to be accounted for either at fair value, or in circumstances when fair value may not be considered the most relevant information, at cost or amortized cost. All financial instruments are classified into one of five categories, with each category possessing specific requirements for initial and subsequent recognition and measurement.

Cash is classified as held-for-trading, which is measured at fair value. Amounts receivable are classified as loans and receivables and accounts payable and accrued liabilities are classified as other financial liabilities which are measured at amortized cost, using the effective interest rate method.

BC Rare Disease Foundation

NOTES TO THE FINANCIAL STATEMENTS

May 31, 2012

2. ACCOUNTING POLICIES - continued

The Foundation has elected to apply CICA Handbook Section 3861 in place of CICA Handbook Sections 3862 "Disclosure" and Section 3863 "Presentation". Sections 3862 and 3863 require extensive disclosures about the significance of financial instruments for an entity's financial position and results of operations overall, as quantitative and qualitative disclosures on the nature and extent of risks arising from financial instruments. Management believes that the cost of preparing the additional disclosures exceeds any incremental benefit.

Capital disclosures

The Society has no externally imposed capital requirements.

3. DEFERRED REVENUE

During the year the Foundation received a restricted contribution of \$ 20,000 toward the Parent Support Program of which \$ 1,181 was expended up to May 31, 2012. The unexpended balance of \$ 18,819 was deferred as at May 31, 2012.

4. FINANCIAL INSTRUMENTS

Financial instruments consist of cash, amounts receivable and accounts payable.

Fair value

The fair value of cash, amounts receivable and accounts payable are believed to equal their carrying amounts due to their short terms to maturity.

Credit risk

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