

TOURETTE SYNDROME FOUNDATION OF CANADA

Financial Statements

Year Ended May 31, 2020

Draft for discussion purposes only

TOURETTE SYNDROME FOUNDATION OF CANADA

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Year Ended May 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Members of Tourette Syndrome Foundation of Canada

Qualified Opinion

I have audited the financial statements of Tourette Syndrome Foundation of Canada (the Organization), which comprise the statement of financial position as at May 31, 2020, and the statements of changes in fund balances, revenues and expenditures and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of my report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at May 31, 2020, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization 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 Organization. Therefore, I was not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenditures, and cash flows from operations for the year ended May 31, 2020, current assets and fund balances as at May 31, 2020. The predecessor auditor's opinion on the financial statements for the year ended May 31, 2019 was modified accordingly because of the possible effects of this limitation of scope.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Organization in accordance with ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Other Matter

The financial statements for the year ended May 31, 2019 were audited by another auditor who expressed a qualified opinion on those financial statements on October 20, 2019 for the reasons described in the *Basis for Qualified Opinion* section.

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 ASNPO, 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

(continues)

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Organization'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 Organization's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Organization 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.

I 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 I identify during my audit.

Mississauga, Ontario

Chartered Professional Accountants
Authorized to practise public accounting by
the Chartered Professional Accountants of Ontario

TOURETTE SYNDROME FOUNDATION OF CANADA

Statement of Financial Position

May 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash	\$ 229,908	\$ 249,833
Accounts receivable	19,795	10,539
Sales tax recoverable	1,149	27,855
Prepaid expenses	4,214	16,140
	255,066	304,367
PLANT AND EQUIPMENT (Note 3)	4,138	7,000
	\$ 259,204	\$ 311,367
LIABILITIES		
CURRENT		
Account payable and accrued liabilities	\$ 24,694	\$ 28,756
Government remittances payable	2,368	3,201
Deferred revenue	1,500	12,925
	28,562	44,882
LONG TERM DEBT (Note 4)	40,000	-
	68,562	44,882
FUND BALANCES		
General fund	190,642	266,485
	\$ 259,204	\$ 311,367

ON BEHALF OF THE BOARD

_____ Director

_____ Director

See notes to financial statements

TOURETTE SYNDROME FOUNDATION OF CANADA

Statement of Changes in Fund Balances

Year Ended May 31, 2020

	2020	2019
FUND BALANCE - BEGINNING OF YEAR	\$ 266,485	\$ 224,817
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(75,843)	41,668
FUND BALANCE - END OF YEAR	\$ 190,642	\$ 266,485

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TOURETTE SYNDROME FOUNDATION OF CANADA

Statement of Revenues and Expenditures

Year Ended May 31, 2020

	2020	2019
REVENUES		
Fundraising	\$ 520,584	\$ 191,409
Nevada ticket revenue	78,358	89,552
Donations	49,087	137,223
Product sales	7,492	20,556
Memberships	3,920	5,790
Interest income	1,807	2,777
	<u>661,248</u>	<u>447,307</u>
EXPENDITURES		
Fundraising	475,115	99,563
Salaries and wages	95,011	133,573
Nevada ticket and related expenses	31,004	48,669
Contractor fees	18,105	18,364
Advertising and promotion	16,959	14,515
Professional fees	16,544	6,013
Bursary	12,644	4,415
Travel	12,355	7,535
Telephone	12,317	11,850
Bank charges	10,288	14,131
Product costs	8,989	1,549
Occupancy costs	8,220	9,260
Printing and photocopying	6,481	6,037
Insurance	4,981	5,340
Amortization	2,862	4,884
Postage	2,791	3,084
Office	2,030	3,369
Volunteer recognition and development	395	619
Website development	-	12,869
	<u>737,091</u>	<u>405,639</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (75,843)</u>	<u>\$ 41,668</u>

See notes to financial statements

TOURETTE SYNDROME FOUNDATION OF CANADA

Statement of Cash Flows

Year Ended May 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	\$ (75,843)	\$ 41,668
Item not affecting cash:		
Amortization of property and equipment	<u>2,862</u>	<u>4,884</u>
	<u>(72,981)</u>	<u>46,552</u>
Changes in non-cash working capital:		
Accounts receivable	(9,256)	7,714
Account payable and accrued liabilities	(4,062)	(21,248)
Deferred revenue	(11,425)	(14,302)
Prepaid expenses	11,926	(3,294)
Sales tax recoverable	26,706	913
Government remittances payable	(833)	(260)
	<u>13,056</u>	<u>(30,477)</u>
Cash flow from (used by) operating activities	<u>(59,925)</u>	<u>16,075</u>
FINANCING ACTIVITIES		
Proceeds from long term debt	40,000	-
Repayment of obligations under capital lease	-	(782)
	<u>40,000</u>	<u>(782)</u>
Cash flow from (used by) financing activities	<u>40,000</u>	<u>(782)</u>
INCREASE (DECREASE) IN CASH	(19,925)	15,293
Cash - beginning of year	<u>249,833</u>	<u>234,540</u>
CASH - END OF YEAR	\$ 229,908	\$ 249,833

See notes to financial statements

TOURETTE SYNDROME FOUNDATION OF CANADA

Notes to Financial Statements

Year Ended May 31, 2020

1. PURPOSE OF THE ORGANIZATION

Tourette Syndrome Foundation of Canada (the "Organization") is a not-for-profit organization incorporated federally under the Canada Not-for-profit Corporations Act. As a registered charity the Organization is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The Organization operates to provide services to improve the quality of life for those with or affected by Tourette Syndrome through education and various awareness programs such as advocacy, self-help and the promotion of research. The Organization comprises of a national head office and regional affiliates (chapters, resource units and contact representatives) located in various provinces throughout Canada.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in treasury bills and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

Measurement uncertainty

The preparation of financial statements in conformity 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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Revenue recognition

Tourette Syndrome Foundation of Canada follows the restricted fund method of accounting for contributions.

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenditures are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Fund accounting

The General Fund accounts for the Organization's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants. During the year, there were no other funds in use.

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TOURETTE SYNDROME FOUNDATION OF CANADA

Notes to Financial Statements

Year Ended May 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment is stated at cost or deemed cost less accumulated amortization and is amortized over its estimated useful life at the following rates and methods:

Computer equipment	55%	declining balance method
Furniture and fixtures	20%	declining balance method
Telephone equipment	20%	declining balance method

The Organization regularly reviews its property and equipment to eliminate obsolete items.

Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

3. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Computer equipment	\$ 116,537	\$ 114,657	\$ 1,880	\$ 4,177
Furniture and fixtures	37,852	37,563	289	362
Telephone equipment	9,105	7,136	1,969	2,461
	<u>\$ 163,494</u>	<u>\$ 159,356</u>	<u>\$ 4,138</u>	<u>\$ 7,000</u>

TOURETTE SYNDROME FOUNDATION OF CANADA

Notes to Financial Statements

Year Ended May 31, 2020

4. LONG TERM DEBT

TD Bank loan is non-interest bearing, unsecured with no payment requirements until December 31, 2022. Thereafter, the loan will bear interest at 5% compounded semi-annually, repayable in monthly blended payments of \$1,198. The loan will mature on December 31, 2025 and remain unsecured.

Amounts payable within one year

	2020	2019
	\$ 40,000	\$ -
	-	-
	<u>\$ 40,000</u>	<u>\$ -</u>

Principal repayment terms are approximately:

2023	\$ 12,680
2024	13,322
2025	13,998
	<u>\$ 40,000</u>

The above loan has a 20% loan forgiveness clause if fully repaid by December 31, 2022.

5. DEMAND OPERATING FACILITY

The Organization has demand operating facility in the amount of \$50,000. The facility is secured by a general security agreement, bearing interest at prime plus 1% and an assignment of term deposits and other credit balances registered in the name of the Organization in the amount of \$50,000. At the year end date, this facility was not in use.

6. VANCOUVER FOUNDATION ENDOWMENT FUND

The Vancouver Foundation has an endowment fund which was established through funds received from Tourette Canada in 2009. The capital amount of the endowment fund at May 31, 2020 was \$ 23,830 (\$23,647 in 2019) . Any income earned on the endowment fund by the Vancouver Foundation can be distributed to Tourette Canada. The endowment fund is a legal asset of the Vancouver Foundation.

7. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Organization's risk exposure and concentration as of May 31, 2020.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its long term debt, and accounts payable and accrued liabilities.

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TOURETTE SYNDROME FOUNDATION OF CANADA

Notes to Financial Statements

Year Ended May 31, 2020

7. FINANCIAL INSTRUMENTS *(continued)*

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Organization manages exposure through its normal operating and financing activities. The Organization is exposed to interest rate risk primarily through its floating interest rate debt and credit facility.

Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant credit risk, market risk, currency risk or other price risks arising from these financial instruments.

8. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

9. SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus, the "COVID-19 Outbreak". In March 2020, the WHO classified the COVID-19 as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve throughout the world including Canada. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the impact on the Organization operation will not be known with certainty for months to come.

Although the Organization cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the Organization's results of future operations, financial position, and liquidity in the fiscal year 2021.
