

# FINANCIAL STATEMENTS

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OPEN MEDICINE FOUNDATION CANADA

December 31, 2019

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Open Medicine Foundation Canada

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Brian J. Quinlan, CPA, CA

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Dickson Lai, CPA, CA

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## INDEPENDENT AUDITOR'S REPORT

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To the directors of  
**Open Medicine Foundation Canada:**

### *Opinion*

We have audited the accompanying financial statements of **Open Medicine Foundation Canada** (the "Organization"), which comprise the statement of financial position as at December 31, 2019 and the statements of operations and changes in 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2019 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.

### *Basis for Opinion*

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 Organization 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 opinion.

### *Other matter*

The financial statements of the Organization for the period ended December 31, 2018 are unaudited. The Organization did not commence operations until 2019.

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## INDEPENDENT AUDITOR'S REPORT (continued)

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

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

### *Auditor's Responsibility for the Audit of 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 it 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 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 judgement 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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## INDEPENDENT AUDITOR'S REPORT (continued)

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on 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 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 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.

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, Ontario  
April 2, 2020

*Campbell Lawless LLP*

Chartered Professional Accountants  
Licensed Public Accountants

**Open Medicine Foundation Canada**  
**STATEMENT OF FINANCIAL POSITION**

	December 31, 2019 \$	December 31, 2018 \$	June 11, 2018 \$
<b>ASSETS</b>			
<b>Current</b>			
Cash	758,184		
Harmonized sales tax recoverable	302		
Contributions receivable [note 4]	900,000		
	<u>1,658,486</u>	NIL	NIL
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	<u>11,580</u>	<u>NIL</u>	<u>NIL</u>
<b>NET ASSETS</b>			
Unrestricted	265,225		
Restricted [note 5]	<u>1,381,681</u>		
	<u>1,646,906</u>	NIL	NIL
	<u>1,658,486</u>	NIL	NIL

*see accompanying notes*

On behalf of the Board:

Director

Director

**Open Medicine Foundation Canada**  
**STATEMENT OF OPERATIONS AND**  
**CHANGES IN FUND BALANCES**

Period ended December 31	2019 Unrestricted \$	2019 Restricted \$	2019 Total \$	2018 Total \$
<b>Revenue</b>				
Contributions	<u>280,902</u>	<u>1,681,681</u>	<u>1,962,583</u>	<u>NIL</u>
<b>Expenses</b>				
Grant research	300,000		300,000	
Professional and consulting services	11,822		11,822	
Merchant fees	1,944		1,944	
Administration	<u>1,911</u>		<u>1,911</u>	
	<u>315,677</u>	<u>NIL</u>	<u>315,677</u>	<u>NIL</u>
<b>Excess (deficiency) of revenue over expenses</b>	(34,775)	1,681,681	1,646,906	NIL
<b>Fund balances, beginning of period</b>	NIL	NIL	NIL	NIL
Interfund transfers [note 8]	300,000	(300,000)	NIL	NIL
<b>Fund balances, end of period</b>	<u>265,225</u>	<u>1,381,681</u>	<u>1,646,906</u>	<u>NIL</u>

*see accompanying notes*

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**Open Medicine Foundation Canada**  
**STATEMENT OF CASH FLOWS**

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	<b>Year ended December 31, 2019 \$</b>	<b>Period from June 11 to December 31, 2018 \$</b>
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenses for the period	<b>1,646,906</b>	NIL
Changes in non-cash working capital balances -		
(Increase) decrease in harmonized sales tax recoverable	(302)	
(Increase) decrease in contributions receivable	(900,000)	
Increase (decrease) in accounts payable and accrued liabilities	<u>11,580</u>	<u>          </u>
<b>Net change in cash</b> during the period	<b>758,184</b>	NIL
<b>Cash</b> , beginning of period	<b>NIL</b>	NIL
<b>Cash</b> , end of period	<b>758,184</b>	NIL

*see accompanying notes*



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**Open Medicine Foundation Canada**  
**NOTES TO FINANCIAL STATEMENTS**

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December 31, 2019

**1. PURPOSE OF THE ORGANIZATION**

Open Medicine Foundation Canada (the "Organization") was established to support medical and clinical research for patients suffering from chronic complex diseases with collaboration between patients, clinicians and researchers.

The Organization was incorporated on June 11, 2018 under The Corporations Act (Manitoba) as a corporation without share capital. Effective June 6, 2019, the Organization continued under the Canada Not-for-profit Corporations Act.

The Organization is a registered charity under the Income Tax Act (Canada) [the "Act"] and, therefore, is exempt from income tax.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

**Fund accounting**

The Organization follows the restricted fund method of accounting for contributions.

Unrestricted funds can be used in accordance with charitable objectives at the discretion of the Organization.

Restricted funds can only be used for particular restricted purposes within the objectives of the Organization. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

**Revenue recognition**

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. Restricted contributions are recognized as revenue of the appropriate restricted fund.

**Cash**

Cash consists primarily of cash on hand and balances within bank accounts held with financial institutions.

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**Open Medicine Foundation Canada**  
**NOTES TO FINANCIAL STATEMENTS**

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December 31, 2019

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Contributions receivable**

Contributions receivable represents contributions to the Organization by private donors that are collectible after the year end. Because of the uncertainty surrounding the collectibility of contributions receivable, the Organization recognizes only those contributions for which the realizable value can be reasonably estimated and ultimate collection can be assured.

**Grant research**

Grant research represents funds granted to clinical and academic researchers and facilities for direct research of chronic complex illnesses studies.

**Contributed goods and services**

The Organization receives contributions of goods and services that assist the Organization in carrying out its activities. Contributed goods and services are recorded at their fair value at the date of contribution only if the fair value can be reasonably estimated.

**Financial instruments**

The Organization initially measures its financial assets and liabilities at fair value except for certain non-arm's length transactions. The Organization subsequently measures all its financial assets and liabilities at amortized cost.

Financial assets and liabilities measured at amortized cost include cash, contributions receivable and accounts payable and accrued liabilities.

The Organization has no financial assets or liabilities measured at fair value.

**3. FIRST TIME ADOPTION OF CANADIAN ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS**

Effective January 1, 2019, the Organization adopted the requirements of the CPA Canada Handbook - Accounting and has elected to first time adopt Canadian accounting standards for not-for-profit organizations (ASNPO). These are the Organization's first financial statements prepared in accordance with this new framework which has been applied retrospectively. The accounting policies set out in the summary of significant accounting policies note have been applied in preparing the financial statements for the year ended December 31, 2019, the comparative information presented in these financial statements for the period ended December 31, 2018 and in the preparation of an opening balance sheet at June 11, 2018, which is the Organization's date of transition.

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**Open Medicine Foundation Canada**  
**NOTES TO FINANCIAL STATEMENTS**

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December 31, 2019

**3. FIRST TIME ADOPTION OF CANADIAN ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS (continued)**

The Organization did not issue financial statements for the year ended December 31, 2018 under an accounting framework. The adoption of ASNPO has no impact on the previously reported assets, liabilities and net asset balances of the Organization and, accordingly, no adjustments have been recorded in the comparative statement of financial position and the statements of operations and changes in fund balances and cash flows. Certain of the Organization's presentation and disclosures included in these financial statements reflect the new presentation and disclosure requirements of ASNPO.

**4. CONTRIBUTIONS RECEIVABLE**

During the year, a donor pledged contributions totaling \$1,200,000 to be paid in four equal instalments between October 2019 and July 2021. As at December 31, 2019, \$300,000 of the pledged contributions were received, and the balance of \$900,000 is recorded as contributions receivable on the statement of financial position.

**5. RESTRICTED NET ASSETS**

Net assets with donor restrictions for the following purposes or periods consist of the following:

	January 1, 2019 \$	Additions \$	Releases \$	December 31, 2019 \$
CHU Sainte Justine	-	1,200,000	(300,000)	900,000
Harvard Collaborative Research Center	-	478,566	-	478,566
ME/CFS Research and End ME/CFS Project	-	2,701	-	2,701
Stanford Collaborative Research Center	-	414	-	414
	-	1,681,681	(300,000)	1,381,681

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**Open Medicine Foundation Canada**  
**NOTES TO FINANCIAL STATEMENTS**

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December 31, 2019

**6. RELATED PARTY TRANSACTIONS**

The Organization operates in conjunction with Open Medicine Foundation ("OMF"), an established charitable organization headquartered in the United States with congruent objectives, which assists in the administration of the charitable activities and programs of the Organization. Two members of the board of directors of the Organization are also members of OMF's board of directors.

OMF has provided management and administrative services on behalf of the organization and has borne certain start up costs for the establishment of the Organization.

**7. COMMITMENTS**

During the year, the Organization entered into an agreement to support a research project whereby the Organization committed to grants totaling \$1,200,000 to be paid between November 2019 and August 2021. As at December 31, 2019, \$300,000 of the total commitment had been paid. The remaining balance of \$900,000 is to be paid in equal quarterly instalments of \$150,000 starting May 1, 2020 and ending August 1, 2021.

**8. INTERFUND TRANSFERS**

Transfers between funds are required when resources of the restricted fund have been authorized to finance activities pursuant to donor stipulations. In 2019, \$300,000 was transferred from the restricted fund.

**9. FINANCIAL INSTRUMENTS RISK EXPOSURE**

The Organization is exposed to credit risk through its financial instruments. The Organization is not exposed to significant liquidity risk or market risk.

**Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The financial assets that are exposed to credit risk consist primarily of cash and contributions receivable.

Cash is on deposit with a Canadian chartered bank.

The Organization recognizes contributions receivable at year end only for contributions where the realizable value can be reasonably estimated and ultimate collection can be assured based on historical results.