

**CANADIAN FOUNDATION FOR AIDS
RESEARCH**

Financial Statements

For the Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Canadian Foundation for AIDS Research

Qualified Opinion

We have audited the financial statements of Canadian Foundation For AIDS Research, (the Foundation), which comprise the statement of financial position as at June 30, 2023 and the statements of revenue, expenses 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, 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 June 30, 2023, and 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 Qualified Opinion

In common with many charitable organizations, the Foundation derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our 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 donations and fundraising revenues, excess (deficiency) of revenue over expenses and cash flows from operations for the years ended June 30, 2023 and 2022, current assets as at June 30, 2023 and 2022, and net assets as at July 1 and June 30 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended June 30, 2022 was modified accordingly because of the possible effects of this limitation in scope.

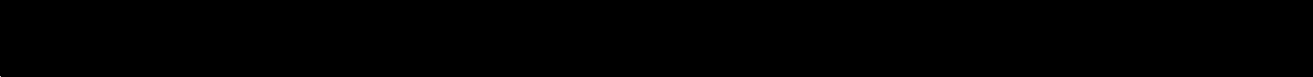
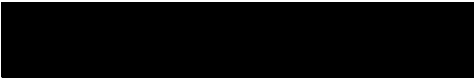
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance 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 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.

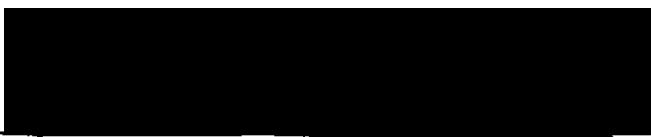
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants
Licensed Public Accountants

CANADIAN FOUNDATION FOR AIDS RESEARCH
Statement of Financial Position
As at June 30, 2023

| | 2023 | 2022 |
|--|---------------------|---------------------|
| Assets | | |
| Current | | |
| Cash | \$ 842,141 | \$ 1,122,137 |
| Short-term investments (Note 3) | 194,758 | 80,241 |
| Accounts receivable | 56,044 | 20,606 |
| HST recoverable | 131,285 | 111,079 |
| Prepaid expenses | 28,698 | 28,698 |
| | <u>1,252,926</u> | <u>1,362,761</u> |
| Capital assets (Note 4) | 18,723 | 39,622 |
| Investments (Note 3) | 586,914 | 586,914 |
| | <u>\$ 1,858,563</u> | <u>\$ 1,989,297</u> |
| Liabilities | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 131,040 | \$ 131,328 |
| Grants payable | 380,001 | 331,268 |
| | <u>511,041</u> | <u>462,596</u> |
| Deferred contributions (Note 5) | 70,673 | 259,609 |
| Loan payable (Note 6) | - | 60,000 |
| | <u>581,714</u> | <u>782,205</u> |
| Fund Balances | | |
| General | 689,935 | 620,178 |
| Endowment (Note 7) | 586,914 | 586,914 |
| | <u>1,276,849</u> | <u>1,207,092</u> |
| | <u>\$ 1,858,563</u> | <u>\$ 1,989,297</u> |

Commitments (Note 8)



Approved by the Board

Alex Filiatrault, Chief Executive Officer Patti MacNicol, Treasurer

CANADIAN FOUNDATION FOR AIDS RESEARCH
Statement of Revenue, Expenses and Changes in Fund Balances
Year Ended June 30, 2023

| | General Fund | | Endowment Fund | | Total | |
|--|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Revenue | | | | | | |
| Donations and bequests | \$1,283,817 | \$1,456,621 | \$ - | \$ - | \$1,283,817 | \$1,456,621 |
| Fundraising and awareness events (Note 6) | 1,498,029 | 1,492,209 | - | - | 1,498,029 | 1,492,209 |
| Government wage subsidy | - | 15,102 | - | - | - | 15,102 |
| Investment income | 34,151 | 21,853 | - | - | 34,151 | 21,853 |
| | 2,815,997 | 2,985,785 | - | - | 2,815,997 | 2,985,785 |
| Expenses | | | | | | |
| Fundraising | 968,645 | 714,005 | - | - | 968,645 | 714,005 |
| General | 618,609 | 736,061 | - | - | 618,609 | 736,061 |
| Grants awarded | 334,568 | 512,534 | - | - | 334,568 | 512,534 |
| Program and awareness | 824,418 | 1,100,505 | - | - | 824,418 | 1,100,505 |
| | 2,746,240 | 3,063,105 | - | - | 2,746,240 | 3,063,105 |
| Excess (Deficiency) of revenue over expenses | 69,757 | (77,320) | - | - | 69,757 | (77,320) |
| Fund balances, beginning of year | 620,178 | 697,498 | 586,914 | 586,914 | 1,207,092 | 1,284,412 |
| Fund balances, end of year | \$ 689,935 | \$ 620,178 | \$ 586,914 | \$ 586,914 | \$1,276,849 | \$1,207,092 |

See accompanying notes

CANADIAN FOUNDATION FOR AIDS RESEARCH
Statement of Cash Flows
Year Ended June 30, 2023

| | 2023 | 2022 |
|--|-------------------|---------------------|
| Cash provided by (used in) | | |
| Operations | | |
| Excess (deficiency) of revenue over expenses | \$ 69,757 | \$ (77,320) |
| Items not affecting cash | | |
| Amortization | 39,462 | 63,504 |
| Forgiveness of loan payable (Note 6) | (20,000) | - |
| Loss (gain) on sale of investments and change in unrealized fair value adjustment | (28,756) | (42,695) |
| Recognition of contributions received (Note 5) | (366,325) | (1,214,332) |
| | (305,862) | (1,270,843) |
| Contributions received in advance of expenditure (Note 5) | 177,389 | 177,080 |
| Grants paid | (331,268) | (231,267) |
| Net changes in non-cash working capital | | |
| Accounts receivable | (35,438) | (6,269) |
| HST recoverable | (20,206) | (59,367) |
| Grant approved | 380,001 | 462,534 |
| Prepaid expenses | - | 14,259 |
| Accounts payable and accrued liabilities | (288) | 53,822 |
| | (135,672) | (860,051) |
| Investing | | |
| Proceeds on sale of short-term investments | 73,353 | 151,368 |
| Purchase of short-term investments | (159,114) | (75,879) |
| Purchase of capital assets | (18,563) | (14,976) |
| | (104,324) | 60,513 |
| Financing | | |
| Repayment of loan payable | (40,000) | - |
| Net change in cash | (279,996) | (799,538) |
| Cash, beginning of year | 1,122,137 | 1,921,675 |
| Cash, end of year | \$ 842,141 | \$ 1,122,137 |

CANADIAN FOUNDATION FOR AIDS RESEARCH

Notes to Financial Statements

June 30, 2023

1. DESCRIPTION OF FOUNDATION

The Canadian Foundation for AIDS Research ("CANFAR") is a charitable foundation created to raise awareness in order to generate funds for research into all aspects of HIV infection and AIDS.

CANFAR was incorporated on October 26, 1987 under the Canada Corporations Act and is registered as a public foundation under the Income Tax Act (Canada) and, as such is exempt from income taxes and is able to issue donation receipts for income tax purposes.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant for CANFAR.

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 amounts reported in the financial statements and accompanying notes. Significant estimates included in these financial statements are with respect to the attribution of general support and fundraising expenditures to the various functions. Actual results could differ from these estimates.

Fund Accounting

For financial reporting purposes, the accounts have been classified into the following funds:

General Fund

The General Fund accounts for CANFAR's general fundraising, granting and administrative activities. The General Fund reports unrestricted resources available for immediate purposes.

Endowment Fund

The Endowment Fund includes those funds where donor or Board restrictions require that the principal be maintained by CANFAR on a permanent basis (see Note 7).

Revenue Recognition

CANFAR follows the deferral method of accounting for contributions, whereby restricted contributions are deferred and recognized as revenue of the General Fund in the year in which the related expenses are incurred.

Sponsorship funds allocated to fundraising and awareness events, are included in income in the year in which the event occurs.

Unrestricted donations and bequests, included in fundraising and awareness events, funds are included in income when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

CANADIAN FOUNDATION FOR AIDS RESEARCH

Notes to Financial Statements

June 30, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue Recognition (Cont'd)

Government assistance is recognized as other income in the year the related expenses are incurred. When the Foundation qualifies to receive a forgivable loan, it accounts for it in the same manner as government assistance and the forgivable loan is recognized when the Foundation has received the funds and related expenses have been incurred, and not at the time such loans are forgiven.

Financial Instruments

CANFAR initially measures its financial assets and liabilities at fair value. CANFAR subsequently measures its financial assets and financial liabilities at amortized cost, except for investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the excess of revenue over expenses.

Financial assets measured at amortized cost include cash and accounts receivable. CANFAR's financial assets measured at fair value include investments. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, grants payable and loan payable.

Transaction costs and financing fees are expensed as incurred for financial instruments measured at fair value and capitalized for financial instruments that are subsequently measured at cost or amortized cost.

Financial assets measured at cost or amortized cost are tested for impairment when there are indicators of impairment. The amount of a write-down, if any, is recognized in the excess of revenue over expenses. Reversals of impairment are recorded to the extent that the value has increased, up to the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the excess of revenue over expenses.

Investment Income

Investment income consists of interest, realized gains (losses) on the disposition of investments and changes in unrealized gains (losses) on investments.

Unrestricted investment income earned on the Endowment and General Fund is recognized as revenue of the General Fund. Investment income earned on externally restricted funds for which no specific fund exists will be recognized as revenue of the General Fund. Investment income subject to donor restrictions stipulating that it be added to the principal amount of the endowment is recognized as a direct increase in the net assets of the Endowment Fund.

Tangible Capital Assets and Intangible Assets

Purchased tangible capital assets and intangible assets are at cost less accumulated amortization. Donated tangible capital assets and intangible assets are capitalized at fair market value at the date of contribution. Tangible capital assets and intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|--------------------|---------|
| Computer equipment | 3 years |
| Website | 3 years |

CANADIAN FOUNDATION FOR AIDS RESEARCH

Notes to Financial Statements

June 30, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Tangible Capital Assets and Intangible Assets (Cont'd)

When conditions indicate a tangible capital or intangible asset is impaired, the carrying value of the asset is written down to the asset's fair value or replacement cost. The write down is recorded as an expense in the statement of revenue and expenses. A write-down shall not be reversed.

Grant Payable Recognition

Grants are accrued and expensed in the year they are awarded. In the case of two year awards, the commitment for the second year award is not accrued until the requirements of the award are met and is disclosed as a commitment in the financial statements.

Rescinded or returned grants are recorded as recoveries in the year of determination that the grant will be rescinded or returned. Grants are rescinded or returned when circumstances arise in which a previously recorded grant amount must be revised, such as when a given project requires less than the amount originally awarded or cannot be completed.

Donated Materials and Services

The value of donated materials and services, other than capital assets, are not recorded in the financial statements.

Donated investment securities are recorded at the fair value on the date received.

3. INVESTMENTS

| | 2023 | 2022 |
|------------------------|------------|------------|
| Fixed income | \$ 538,197 | \$ 438,177 |
| Canadian equities | 115,418 | 114,978 |
| United States equities | 112,009 | 99,246 |
| Other foreign | 16,048 | 14,754 |
| | 781,672 | 667,155 |
| Short-term | 194,758 | 80,241 |
| Long-term | \$ 586,914 | \$ 586,914 |

The amount classified as long-term is equal to the balance in the Endowment Fund (see Note 7). These funds are classified as long-term and since they are endowed funds they will be held permanently.

CANADIAN FOUNDATION FOR AIDS RESEARCH

Notes to Financial Statements

June 30, 2023

4. CAPITAL ASSETS

| | Cost | Accumulated Amortization | Net 2023 | Net 2022 |
|--------------------|-------------------|-----------------------------|------------------|------------------|
| Computer equipment | \$ 26,187 | \$ 25,084 | \$ 1,103 | \$ 3,310 |
| Website | 275,497 | 257,877 | 17,620 | 36,312 |
| | <u>\$ 301,684</u> | <u>\$ 282,961</u> | <u>\$ 18,723</u> | <u>\$ 39,622</u> |

Included in general expenses is amortization expense for the year amounting to \$39,462 (2022 - \$63,504).

5. DEFERRED CONTRIBUTIONS

| | 2023 | 2022 |
|--|------------------|-------------------|
| Deferred contributions, beginning of year | \$ 259,609 | \$ 1,296,861 |
| Externally restricted funds received | 177,389 | 177,080 |
| Amount recognized as revenue during the year | (366,325) | (1,214,332) |
| Deferred contributions, end of year | <u>\$ 70,673</u> | <u>\$ 259,609</u> |

Components of the end of year balance are as follows:

| | 2023 | 2022 |
|--|------------------|-------------------|
| Indigenous Testing and Linkage to Care Pathways for Health and Wellness | \$ 15,325 | \$ 181,509 |
| One and All Program | - | 78,100 |
| Entertains | 55,348 | - |
| | <u>\$ 70,673</u> | <u>\$ 259,609</u> |

6. LOAN PAYABLE

Loan payable represents the Canada Emergency Business Account (CEBA). The loan bears no interest. There are no required terms of principal repayments and no maturity date. Principal repayments can start after October 1, 2020. If \$40,000 is fully repaid by December 31, 2022, the Foundation is eligible for \$20,000 forgiveness. Balance outstanding after January 1, 2023 will be converted into a 3-year term at 5% interest. The full balance must be repaid fully by December 31, 2025. The Foundation repaid the loan during the year and recorded a \$20,000 forgiveness in Fundraising and awareness events.

CANADIAN FOUNDATION FOR AIDS RESEARCH

Notes to Financial Statements

June 30, 2023

7. ENDOWMENT FUND

The Endowment Fund balance at year end consists of the following:

| | 2023 | 2022 |
|--------------------|-------------------|-------------------|
| Externally endowed | \$ 262,914 | \$ 262,914 |
| Internally endowed | 324,000 | 324,000 |
| | <u>\$ 586,914</u> | <u>\$ 586,914</u> |

8. COMMITMENTS

The Foundation is committed to the following annual payments for premises, including its share of operating costs, and equipment leases:

| | |
|------|------------------|
| 2024 | \$ 61,642 |
| 2025 | 10,766 |
| 2026 | 10,766 |
| 2027 | 10,766 |
| | <u>\$ 93,940</u> |

9. ALLOCATION OF EXPENDITURES

During the year CANFAR incurred \$786,848 (2022 - \$919,660) of salary and benefits that apply to all functions reported in the Statement of Revenue, Expenses and Changes in Fund Balances. The table below sets out how salary and benefits have been allocated by function. The allocation is based on management's estimate of labour time spent by function.

| | 2023 | 2022 |
|-----------------------|-------------------|-------------------|
| Fundraising | \$ 156,240 | \$ 165,539 |
| General | 321,032 | 358,667 |
| Program and awareness | 309,576 | 395,454 |
| | <u>\$ 786,848</u> | <u>\$ 919,660</u> |

10. FINANCIAL INSTRUMENTS

Market Risk

Market risk is the risk that changes in market prices of investments will affect the Foundation's excess of revenue over expenses or the value of financial instruments. The fixed income investments bear interest at a fixed rate of interest, and as such are subject to changes in fair value from market fluctuations in interest rates. These risks are generally outside the control of the Foundation.