

The Foundation Fighting Blindness

Financial Statements
December 31, 2015



May 31, 2016

Independent Auditor's Report

To the Board of Directors of The Foundation Fighting Blindness

We have audited the accompanying financial statements of The Foundation Fighting Blindness, which comprise the statement of financial position as at December 31, 2015 and the statements of revenues, expenditures and changes in fund balances and cash flows for the year then ended, and the related notes, which comprise 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 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.

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 qualified audit opinion.

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**Basis for qualified opinion**

In common with many charitable organizations, The Foundation Fighting Blindness derives revenues from contributions, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of The Foundation Fighting Blindness. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, excess (deficiency) of revenues over expenditures and cash flows from operating activities for the years ended December 31, 2015 and December 31, 2014, current assets as at December 31, 2015 and December 31, 2014 and fund balances at both the beginning and end of the years ended December 31, 2015 and December 31, 2014. Our audit opinion on the financial statements for the year ended December 31, 2014 was modified accordingly because of the possible effects of this limitation in scope.

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 Fighting Blindness as at December 31, 2015 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

The Foundation Fighting Blindness

Statement of Financial Position

As at December 31, 2015

	2015 \$	2014 \$ (restated - note 2)
Assets		
Current assets		
Cash and cash equivalents	685,805	328,546
Donations receivable	63,024	58,015
Prepaid expenses and sundry assets	110,792	121,222
Short-term investments (note 4)	304,937	385,117
	<u>1,164,558</u>	<u>892,900</u>
Long-term investments (note 4)	525,136	828,769
Endowed investments (note 5)	1,452,213	1,505,988
Intangible asset (note 6)	24,426	2,079
Property and equipment (note 7)	30,518	50,574
	<u>3,196,851</u>	<u>3,280,310</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	279,971	306,516
Deferred revenue	14,021	141,020
	<u>293,992</u>	<u>447,536</u>
Lease inducement	25,000	25,000
	<u>318,992</u>	<u>472,536</u>
Fund Balances		
Unrestricted Fund	682,786	793,189
Restricted Fund	742,858	508,597
Endowment Fund	1,452,215	1,505,988
	<u>2,877,859</u>	<u>2,807,774</u>
	<u>3,196,851</u>	<u>3,280,310</u>

Approved by the Board of Directors

_____ Director _____ Director

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

The Foundation Fighting Blindness
Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended December 31, 2015

				2015	2014
	Unrestricted Fund \$	Restricted Fund \$	Endowment Fund \$	Total \$	Total \$ (restated - note 2)
Revenues (note 13)					
Comic Vision	864,226	22,845	-	887,071	829,192
Ride for Sight	452,340	-	-	452,340	578,037
Cycle for Sight	733,575	-	-	733,575	714,979
Major gifts	481,883	766,417	-	1,248,300	1,332,999
Donor database, memorial and tribute	608,744	4,885	-	613,629	581,312
Planned Giving & Bequests	439,621	-	-	439,621	93,002
Special events	98,640	14,762	-	113,402	55,076
Vision Quest	115,172	-	-	115,172	148,005
Corporate donations	37,500	-	-	37,500	-
Other	133	-	-	133	1,014
	3,831,834	808,909	-	4,640,743	4,333,616
Direct costs					
Comic Vision	484,268	-	-	484,268	464,808
Ride for Sight	348,698	-	-	348,698	416,832
Cycle for Sight	324,566	-	-	324,566	302,591
Major gifts	262,013	-	-	262,013	266,817
Donor database, memorial and tribute	411,972	-	-	411,972	407,728
Planned Giving & Bequests	10,830	-	-	10,830	3,517
Special events	19,428	-	-	19,428	19,144
	1,861,775	-	-	1,861,775	1,881,437
Net revenues	1,970,059	808,909	-	2,778,968	2,452,179
Interest and other income	21,595	21,597	16,216	59,408	124,495
Change in fair value of investments	(3,472)	78,488	(43,703)	31,313	109,153
	1,988,182	908,994	(27,487)	2,869,689	2,685,827
Expenditures					
Scientific research expenditures (note 8)	1,105,352	636,262	-	1,741,614	2,063,017
Programs	321,058	38,471	-	359,529	468,019
Operating expenses (note 9)	641,468	-	26,286	667,754	683,688
Amortization of property and equipment	24,471	-	-	24,471	18,111
Amortization of intangible asset	6,236	-	-	6,236	520
	2,098,585	674,733	26,286	2,799,604	3,233,355
Excess (deficiency) of revenues over expenditures for the year	(110,403)	234,261	(53,773)	70,085	(547,528)
Fund balances - Beginning of year					
As previously stated	1,299,177	508,597	1,000,000	2,807,774	3,355,302
Reclassification of unspent accumulated investment income on Endowment Fund (note 2)	(505,988)	-	505,988	-	-
As restated	793,189	508,597	1,505,988	2,807,744	3,355,302
Fund balances - End of year	682,786	742,858	1,452,215	2,877,859	2,807,774

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

The Foundation Fighting Blindness

Statement of Cash Flows

For the year ended December 31, 2015

	2015 \$	2014 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of expenditures over revenues for the year	70,085	(547,528)
Items not affecting cash		
Amortization of property and equipment	24,471	18,111
Amortization of intangible asset	6,236	520
Change in fair value of investments	(31,313)	(109,153)
Net changes in non-cash working capital balances		
Donations receivable	(5,009)	3,424
Prepaid expenses and sundry assets	10,430	133,338
Accounts payable and accrued liabilities	(26,543)	199,599
Deferred revenue	(126,999)	32,919
	<u>(78,642)</u>	<u>(268,770)</u>
Investing activities		
Net sale of investments	468,899	27,469
Purchase of property and equipment	(4,415)	(2,599)
Purchase of intangible assets	(28,583)	(22,783)
	<u>435,901</u>	<u>2,087</u>
Change in cash and cash equivalents during the year	357,259	(266,683)
Cash and cash equivalents - Beginning of year	328,546	595,229
Cash and cash equivalents - End of year	<u>685,805</u>	<u>328,546</u>

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

The Foundation Fighting Blindness

Notes to Financial Statements

December 31, 2015

1 Organization

The Foundation Fighting Blindness (the Foundation) is a national foundation, which was incorporated without share capital under the laws of Ontario for charitable purposes.

The Foundation is a registered charity and is exempt from paying income taxes pursuant to the provisions of the Income Tax Act (Canada) under paragraph 141(1)(f).

The mission of the Foundation is to find the causes, treatments and ultimately the cures for retinitis pigmentosa, macular degeneration and related retinal diseases by the support and promotion of research and the development of public awareness.

2 Reclassification of unspent accumulated investment income on Endowment Fund

During the year, management reviewed the Arthur and Sonia Labatt Endowment agreement and assessed that the unspent accumulated investment income should be kept in perpetuity. The unspent amounts as at December 31, 2014 of \$505,988 have therefore been reclassified from the Unrestricted Fund to the Endowment Fund. There is no impact to the statements of revenues, expenditures and changes in fund balances and the cash flows for the prior year.

3 Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) applied within the framework of the accounting policies summarized below:

Fund accounting

The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purposes for which they were provided.

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

- Unrestricted Fund

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

- Restricted Fund

The Restricted Fund consists of amounts restricted for education and research purposes as specified by the donor.

The Foundation Fighting Blindness

Notes to Financial Statements

December 31, 2015

- Endowment Fund

The Arthur and Sonia Labatt Endowment Fund consists of those funds where donor restrictions require the principal and endowment earnings that are not spent during the fiscal year to be maintained by the Foundation in perpetuity.

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions, which consists of the following revenue streams: Comic Vision, Ride for Sight, Cycle for Sight, major gifts, donor database, memorial and tribute, Planned Giving & Bequests, special events, Vision Quest and corporate donations.

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

Donor restricted contributions for specific purposes (other than education and research) are deferred and recognized as revenue of the Unrestricted Fund when the related expenses have been incurred. Income earned on the resources of the Restricted Fund or the Endowment Fund is unrestricted and recognized in the statement of revenues, expenditures and changes in fund balances.

Restricted contributions for education and research are recognized as revenue in the Restricted Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest income is recognized in the year earned.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bankers' acceptances with a maturity of three months or less from the date of purchase.

Deferred revenue

Contributions that are restricted for a specific event and have been received in advance of the event, are deferred on receipt and subsequently recognized as revenue when the related event occurs.

Lease inducement

The Foundation received a lease inducement as a result of the renewal of its leased premises. The benefit of this lease inducement will be accounted for as an adjustment to rental expense over the term of the lease renewal, which commences February 1, 2016. The inducement will be amortized on a straight-line basis.

The Foundation Fighting Blindness

Notes to Financial Statements

December 31, 2015

Intangible asset

The intangible asset comprises an intangible asset with a finite life.

The intangible asset is amortized on a straight-line basis over a period of five years. The Foundation compares the net carrying amount of the intangible asset to its fair value and recognizes any impairment in value in the statement of revenues, expenditures and changes in fund balances.

Property and equipment

Property and equipment are stated at cost. Amortization is provided by the straight-line method over the following estimated useful lives:

Computer and telecommunication equipment	5 years
Furniture and fixtures	10 years
Equipment	5 years
Leasehold improvements	term of lease

Impairment of long-lived assets

An impairment charge is recognized for long-lived assets whenever an event or change in circumstance causes an asset's carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated as the difference between the fair value of the assets and their carrying values.

Scientific research grants

Research grants are recorded in the period in which the expenditures are made.

Contributed services and materials

The work of the Foundation is significantly supported by the contribution of services and materials. These contributions are recognized in the financial statements when their fair values are reasonably determinable and when they would normally have been purchased by the Foundation if not donated. Fair value is defined as the estimated cash outlay that would have been required to purchase the contributed services and materials.

The value of the services contributed by volunteers is not reflected in these financial statements.

Financial instruments

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

The Foundation Fighting Blindness

Notes to Financial Statements

December 31, 2015

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines whether there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value. Impairments are recognized through the use of an allowance account, with a corresponding charge in the statement of revenues, expenditures and changes in fund balances.

Allocation of expenditures

Certain salaries are allocated to direct costs, scientific research expenditures, programs and operating expenses based on management's estimate of the percentage of time spent.

Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

4 Investments

	2015 \$	2014 \$
Short-term investments		
Mutual fund	5,076	-
Guaranteed investment certificates (i)	299,861	385,117
	<u>304,937</u>	<u>385,117</u>
Long-term investments		
Guaranteed investment certificates (i)	<u>525,136</u>	<u>828,769</u>

i) The guaranteed investment certificates' interest rates range from 1.8% to 3.7%.

The Foundation Fighting Blindness

Notes to Financial Statements

December 31, 2015

5 Endowed investments

The Arthur and Sonia Labatt Endowment Fund investments are invested in a separate portfolio with the following asset mix:

	2015 \$	2014 \$
Cash in broker account	37,161	11,819
Bankers' acceptances	-	254,883
Corporate bonds	561,215	481,879
Equities	853,837	757,407
	<u>1,452,213</u>	<u>1,505,988</u>

6 Intangible asset

	<u>2015</u>		<u>2014</u>	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Website	31,182	6,756	24,426	2,079

7 Property and equipment

	<u>2015</u>		<u>2014</u>	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Computer and telecommunication equipment	64,599	56,527	8,072	18,798
Furniture and fixtures	17,380	13,350	4,030	7,506
Equipment	5,665	5,665	-	538
Leasehold improvements	31,898	13,482	18,416	23,732
	<u>119,542</u>	<u>89,024</u>	<u>30,518</u>	<u>50,574</u>

During the year, fully amortized property and equipment with a total cost and accumulated amortization of \$11,315 (2014 - \$nil) were written off.

The Foundation Fighting Blindness

Notes to Financial Statements

December 31, 2015

8 Scientific research expenditures

			2015	2014
	Unrestricted Fund \$	Restricted Fund \$	Total \$	Total \$
Scientific research grants	1,098,892	500,742	1,599,634	1,880,314
Scientific research direct costs	106,545	35,435	141,980	182,703
	<u>1,205,437</u>	<u>536,177</u>	<u>1,741,614</u>	<u>2,063,017</u>

Future scientific research grants

The Foundation has agreed to provide the following research grants for 2016 through 2018, subject to the availability of funding and approval of continuing research efforts by the Foundation's Scientific Advisory Board and board of directors on an annual basis:

	\$
2016	1,252,170
2017	633,388
2018	155,000
	<u>2,040,558</u>

9 Operating expenses

	2015 \$	2014 \$
Administration	540,253	545,563
Rent	118,117	115,302
Postage and delivery	1,822	13,769
Telephone	504	6,386
Travel	7,058	2,668
	<u>667,754</u>	<u>683,688</u>

The Foundation Fighting Blindness

Notes to Financial Statements

December 31, 2015

10 Allocation of expenditures

As described in note 2, certain salaries have been allocated as follows:

	2015 \$	2014 \$
Comic Vision and special events	45,042	31,515
Ride for Sight and Cycle for Sight	120,528	94,153
Major gifts and Planned Giving & Bequests	134,578	178,793
Donor database, memorial and tribute	109,685	72,747
Scientific research expenditures	70,288	32,078
Programs and operating expenses	157,891	70,074
	<hr/>	<hr/>
	638,012	479,360
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11 Commitments

The Foundation is committed under lease obligations for premises and office equipment with approximate annual rentals as follows:

	\$
2016	67,000
2017	69,000
2018	69,000
2019	68,000
2020	62,000
Thereafter	5,000
	<hr/>
	340,000
	<hr/>

12 Funds held in trust

The Foundation is holding \$12,208 (2014 - \$12,208) in trust for The National Coalition for Vision Health, of which the Foundation is a member. These funds have not been included in the cash balances of the Foundation.

13 Related party transactions

During the current year, members of the Foundation's board of directors and senior management provided financial contributions amounting to \$179,560 (2014 - \$143,096). These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, and are in the normal course of operations.

14 Comparative figures

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.