

CANADIAN LIVER FOUNDATION
Financial Statements
Year Ended December 31, 2022

CANADIAN LIVER FOUNDATION

Index to Financial Statements

Year Ended December 31, 2022

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Operations	3
Statement of Changes in Fund Balances	4
Statement of Financial Position	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 16
Schedule of Research Trust Funds	17



INDEPENDENT AUDITOR'S REPORT

To the Directors of Canadian Liver Foundation

Qualified Opinion

We have audited the financial statements of Canadian Liver Foundation (the "Foundation"), which comprise the statement of financial position as at December 31, 2022, and the statements of operations, 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 December 31, 2022, 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives chapter and other revenues directly from the public, 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 revenues, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2022, current assets as at December 31, 2022, and net assets as at January 1, 2022 and December 31, 2022. Our audit opinion on the financial statements for the year ended December 31, 2021 was modified accordingly because of the possible effects of this limitation of 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 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 audit 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 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.

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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.

RSM Canada LLP

Toronto, Ontario
May 30, 2023

Chartered Professional Accountants

CANADIAN LIVER FOUNDATION

Statement of Operations

Year Ended December 31, 2022

	General Fund		Research Trust Funds		Medical Research Fund		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
REVENUES								
Contributions								
Unrestricted donations	\$ 1,576,019	\$ 1,866,897	\$ -	\$ -	\$ -	\$ -	\$ 1,576,019	\$ 1,866,897
Government assistance	154,977	24,750	-	-	-	-	154,977	24,750
Chapter revenues								
Unrestricted	1,200,081	1,235,944	-	-	-	-	1,200,081	1,235,944
Gaming	142,699	90,096	-	-	-	-	142,699	90,096
Externally restricted receipts	-	-	150,000	150,000	-	-	150,000	150,000
Contributions for research programs								
Externally restricted receipts	-	-	2,204,916	2,421,525	-	-	2,204,916	2,421,525
	3,073,776	3,217,687	2,354,916	2,571,525	-	-	5,428,692	5,789,212
EXPENSES (Note 12)								
Direct program costs								
Education	470,760	627,355	-	-	-	-	470,760	627,355
Public information	478,831	399,538	-	-	-	-	478,831	399,538
Chapter	155,782	152,152	-	-	-	-	155,782	152,152
Gaming	3,946	4,361	-	-	-	-	3,946	4,361
Research and project restricted disbursements (Schedule of Research Trust Funds)	-	-	2,810,853	1,363,553	120,834	338,981	2,931,687	1,702,534
Operating expenses								
Administration	1,140,709	1,351,438	-	-	-	-	1,140,709	1,351,438
Fundraising	911,019	687,984	-	-	-	-	911,019	687,984
	3,161,047	3,222,828	2,810,853	1,363,553	120,834	338,981	6,092,734	4,925,362
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS	(87,271)	(5,141)	(455,937)	1,207,972	(120,834)	(338,981)	(664,042)	863,850
Investment revenues (expenses)								
Unrealized gains (losses) on investments	(333,252)	287,829	(762,508)	606,531	(61,100)	46,388	(1,156,860)	940,748
Interest, dividends and realized capital gains (losses)	(26,389)	85,006	(73,099)	169,299	(52)	949	(99,540)	255,254
	(359,641)	372,835	(835,607)	775,830	(61,152)	47,337	(1,256,400)	1,196,002
	\$ (446,912)	\$ 367,694	\$ (1,291,544)	\$ 1,983,802	\$ (181,986)	\$ (291,644)	\$ (1,920,442)	\$ 2,059,852

See notes to financial statements

CANADIAN LIVER FOUNDATION

Statement of Changes in Fund Balances

Year Ended December 31, 2022

	General Fund		Research Trust Funds		Medical Research Fund		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
FUND BALANCES - BEGINNING OF YEAR	\$ 3,008,208	\$ 2,585,908	\$ 6,949,472	\$ 5,225,670	\$ 394,000	\$ 480,250	\$ 10,351,680	\$ 8,291,828
Excess (deficiency) of revenues over expenses	(446,912)	367,694	(1,291,544)	1,983,802	(181,986)	(291,644)	(1,920,442)	2,059,852
Interfund transfers	(61,986)	54,606	-	(260,000)	61,986	205,394	-	-
FUND BALANCES - END OF YEAR	\$ 2,499,310	\$ 3,008,208	\$ 5,657,928	\$ 6,949,472	\$ 274,000	\$ 394,000	\$ 8,431,238	\$ 10,351,680

The following is a summary of the above funds as at December 31 classified as restricted, unrestricted and committed:

	2022	2021
Externally restricted research trust funds (<i>Schedule of Research Trust Funds</i>)	\$ 5,657,928	\$ 6,949,472
Committed for medical research (<i>Note 7</i>)	274,000	394,000
General fund		
Geographically restricted (<i>Note 3</i>)	138,753	85,735
Invested in tangible capital assets (<i>Note 5</i>)	141,301	149,671
Unrestricted funds	2,219,256	2,772,802
	\$ 8,431,238	\$ 10,351,680

See notes to financial statements

CANADIAN LIVER FOUNDATION

Statement of Financial Position

As at December 31, 2022

	General Fund		Research Trust Funds		Medical Research Fund		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
ASSETS								
CURRENT								
Cash and cash equivalents (Note 3)	\$ 663,150	\$ 928,085	\$ 1,303,460	\$ 1,296,864	\$ -	\$ -	\$ 1,966,610	\$ 2,224,949
Accounts receivable	108,244	66,844	22,500	168,525	-	-	130,744	235,369
Prepaid expenses	26,590	25,786	-	-	-	-	26,590	25,786
	797,984	1,020,715	1,325,960	1,465,389	-	-	2,123,944	2,486,104
INVESTMENTS (Note 4)	1,949,262	2,763,383	4,406,956	5,484,083	274,000	394,000	6,630,218	8,641,466
TANGIBLE CAPITAL ASSETS (Note 5)	141,301	149,671	-	-	-	-	141,301	149,671
	\$ 2,888,547	\$ 3,933,769	\$ 5,732,916	\$ 6,949,472	\$ 274,000	\$ 394,000	\$ 8,895,463	\$ 11,277,241
LIABILITIES AND FUND BALANCES								
CURRENT								
Accounts payable and accrued liabilities (Note 6)	\$ 268,346	\$ 750,316	\$ 74,988	\$ -	\$ -	\$ -	\$ 343,334	\$ 750,316
Deferred lease inducement	11,295	11,295	-	-	-	-	11,295	11,295
	279,641	761,611	74,988	-	-	-	354,629	761,611
LONG-TERM LIABILITIES	10,200	51,000	-	-	-	-	10,200	51,000
DEFERRED LEASE INDUCEMENT	99,396	112,950	-	-	-	-	99,396	112,950
	389,237	925,561	74,988	-	-	-	464,225	925,561
FUND BALANCES	2,499,310	3,008,208	5,657,928	6,949,472	274,000	394,000	8,431,238	10,351,680
	\$ 2,888,547	\$ 3,933,769	\$ 5,732,916	\$ 6,949,472	\$ 274,000	\$ 394,000	\$ 8,895,463	\$ 11,277,241

COMMITMENTS (Notes 7 and 8)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

Director

Director

See notes to financial statements

CANADIAN LIVER FOUNDATION

Statement of Cash Flows

Year Ended December 31, 2022

	General Fund 2022	Research Trust Funds 2022	Medical Research Fund 2022	Total 2022	Total 2021
CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN):					
OPERATING ACTIVITIES					
(Deficiency) excess of revenues over expenses	\$ (446,912)	\$ (1,291,544)	\$ (181,986)	\$ (1,920,442)	\$ 2,059,852
Items not affecting cash:					
Interfund transfers	(61,986)	-	61,986	-	-
Amortization	21,207	-	-	21,207	17,651
Recognition of deferred lease inducement	(13,554)	-	-	(13,554)	(11,295)
Unrealized loss (gain) on investments	333,252	762,508	61,100	1,156,860	(940,748)
Accounts receivable	(41,400)	146,025	-	104,625	(153,363)
Prepaid expenses	(804)	-	-	(804)	66,179
Accounts payable and accrued liabilities	(481,970)	75,003	-	(406,967)	423,792
Long-term liabilities	(40,800)	-	-	(40,800)	51,000
	(732,967)	(308,008)	(58,900)	(1,099,875)	1,513,068
INVESTING ACTIVITIES					
Purchase of tangible capital assets	(12,837)	-	-	(12,837)	(9,426)
Purchase of investments	(399,994)	(261,691)	(48,993)	(710,678)	(3,244,559)
Proceeds from sale of investments	880,863	576,295	107,893	1,565,051	1,799,079
	468,032	314,604	58,900	841,536	(1,454,906)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR					
	(264,935)	6,596	-	(258,339)	58,162
Cash and cash equivalents - beginning of year	928,085	1,296,864	-	2,224,949	2,166,787
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 663,150	\$ 1,303,460	\$ -	\$ 1,966,610	\$ 2,224,949

See notes to financial statements

CANADIAN LIVER FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2022

1. NATURE OF OPERATIONS

Canadian Liver Foundation (the "Foundation" or "CLF") was formed in 1969 under the laws of the Province of Ontario. In 1989, the Foundation was dissolved and its assets were transferred to another foundation with the same name incorporated under the Canada Corporations Act as a not-for-profit organization without share capital. The Foundation continued under the Canada Not-for-Profit Corporations Act in 2014.

The objectives of the Foundation are to provide support for research and education in the causes, diagnosis, prevention and treatment of diseases of the liver. Programs have been designed by the Medical Advisory Board of the Foundation to support the training and research of Canadian investigators and for the further education of both scientific community and the public. All programs are co-coordinated nationally to promote the most efficient use of available funds. The Foundation has established volunteer Chapters across Canada.

The Foundation is registered as a charity under Section 149 (1)(f) of the Income Tax Act (Canada) and, as such is exempt from income taxes

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the combined activity and financial position of the Foundation's National Offices and its volunteer Chapters across Canada. The significant accounting policies followed in the preparation of the financial statements are summarized below.

Fund accounting

The activities of the Foundation are accounted for utilizing the concepts of restricted fund accounting. Accordingly, three funds - General Fund, Research Trust Funds, and an internally restricted Medical Research Fund have been established to account for the activities described below:

The **General Fund** reflects the health promotion, patient support, public information, fundraising and administration activities of the Foundation. Accordingly, all revenue received and expenditures incurred for these purposes, together with all unrestricted donations received are recorded in this fund.

The Research Trust Funds comprise the following 26 externally restricted funds:

The **W.P. Gillbride Research Trust Fund** was created in 1981 in memory of a past president through donations made to the Foundation, specifically to sponsor the W.P. Gillbride Visiting Scientists program.

The **Sarah Ralston Endowment Fund** was established in 1993 in memory of Sarah Ralston. Contributions to this Fund are applied to Pediatric liver research.

The **Chair of Hepatology Trust Fund** was created in 1995 to fund research studies at the St. Luc Hospital Hepatology Department affiliated with the University of Montreal.

CANADIAN LIVER FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2022

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

The **CanHepC** (*formally known as Hepatitis C Program*) was established in 2000 through Health Canada to enhance existing programs, as well as provide new programs and services to people living with hepatitis C. In addition, the Foundation received funding to develop and distribute hepatitis C medical information to 35,000 Canadian physicians by mail. In 2002, the NC RTP-Hep C Trust Fund was established to support a national, multicentre, trans-disciplinary program created to enhance research, training and knowledge translation in the area of hepatitis C. In July 2015, the NC RTP-HepC program expanded the research program further and re-established itself as the Canadian Network of Hepatitis C (CanHepC). The main objective of the CanHepC is to establish a continuous pipeline from the discovery to implementation to reduce hepatitis C transmission, cure and improve the quality of life of people with hepatitis C, and to work towards the elimination of the hepatitis C infection in Canada.

The **Raj Bhargava Endowment Fund** was established in 2001 in memory of Raj Bhargava. Contributions to this fund are applied to research in the area of radiology of liver disease at the University of Alberta.

The **CPHRG Trust Fund** was established in 2008 to support research in the area of paediatric hepatology including, but not limited to research on biliary atresia, paediatric autoimmune hepatitis and primary sclerosing cholangitis.

The **CASL Trust Fund** was established in 2008 as a collaborative partnership agreement between Canadian Liver Foundation and CASL (Canadian Association for the Study of Liver) to support the development and management of mutually agreeable research education and advocacy programs.

The **MUHC Trust Fund** was established in 2008 as a collaborative partnership agreement to support research and education and the McGill University Health Centre in Montreal, Quebec.

The **Kenroc Trust Fund** was established in 2008 to support liver cancer research with funds provided by Kenroc Building Materials Co. Ltd., a Western Canada construction company.

The **CLF-Dalhousie Digestive Care & Endoscopy Trust Fund** was established in 2012 as a cooperative partnership agreement to support research and training with the Dalhousie University Division of Gastroenterology in Halifax, Nova Scotia.

The **Canadian Liver Research Group Trust Fund** was established in 2010 to support a national, multi-centre project created to increase research investment and resources to address patient care treatment issues in Canada. The fund had no activity in the year and a \$nil balance at December 31, 2021 and 2022.

The **CLF-Lee Liver Research Trust Fund** was established in 2011 as a cooperative partnership agreement to support mutually-agreeable liver research initiatives under the leadership of Dr. Samuel Lee.

The **Sexton Liver Cancer Research Trust Fund** was established in 2012 to support designated liver cancer research with donations from Ken Sexton of Regina, Saskatchewan. The fund had no activity in the year and a \$nil balance at December 31, 2021 and 2022.

The **CLF-CDTRP Trust Fund** (*previously known as the CLF-CNTRP Trust Fund*) was established in 2012 as a cooperative partnership agreement with the Canadian National Transplant Research Program (CNTRP) to enhance the survival and quality of life of Canadians needing transplantation, through multi-disciplinary, collaborative and leading edge research. In 2019, the Canadian National Transplant Research Program (CNTRP) changed its program name to the Canadian Donation and Transplantation Research Program (CDTRP).

CANADIAN LIVER FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2022

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

The **CLF-RECAP Trust Fund** was established in 2014 as a cooperative partnership agreement with the Centre for Research, Education & Clinical Care of At-Risk Populations (R.E.C.A.P.) to research the health outcomes of a collaborative model of primary and specialized care with the objective of developing a cost-effective model of care for the prevention and management of hepatitis C in New Brunswick.

The **CLTN-CLF Trust Fund** was established in 2015 as a cooperative partnership agreement between the CLF and the Canadian Liver Transplant Network (CLTN) to support mutually-agreeable liver transplant research, education and advocacy programs.

The **CLF-Krahn Liver Research Trust Fund** was established in 2012 as a cooperative partnership agreement to support mutually-agreeable liver research initiatives under the leadership of Dr. Murray Krahn. The fund had no activity in the year and a \$nil balance at December 31, 2021 and 2022.

The **CCC-CLF Trust Fund** was established in 2016 as a cooperative partnership agreement between the CLF and the Cirrhosis Care Clinic based in Edmonton, Alberta to support mutually-agreeable liver research, education and patient support programs.

The **CaNAL-CLF Trust Fund** was established in 2017 as a cooperative partnership agreement between the CLF and the Canadian Network for Autoimmune Liver Disease (CaNAL) to support mutually-agreeable liver research projects.

The **HepB Study Group-CLF Trust Fund** was established in 2017 as a cooperative partnership agreement between the CLF and Principle Investigators, Drs. Peter Kwan and Francis Ho, to support the "H Be Proactive" study on hepatitis B prevalence in the Greater Vancouver Area.

The **CLF-Canadian Liver Meeting Trust Fund** was established in 2017 as a cooperative partnership agreement between the CLF and the Canadian Association for the Study of the Liver (CASL) to support the Canadian Liver Meeting which is a national liver medical conference delivering mutually-agreeable liver research and education objectives.

The **CLF-SIDCN Trust Fund** was established in 2019 as a cooperative partnership agreement between the CLF and the Saskatchewan Infectious Disease Care Network based in Saskatoon, Saskatchewan to support mutually agreeable liver research, education and patient support programs to improve liver health in First Nations communities in Saskatchewan.

The **CLF-UCalgary Trust Fund** was established in 2019 as a cooperative partnership agreement between the CLF and the Governors of the University of Calgary to support mutually-agreeable liver research and education activities which will improve clinical care, increase research productivity and enhance education in liver disease in Southern Alberta.

The **CLF-HCV2021 Trust Fund** was established in 2019 as a cooperative partnership agreement between the CLF and the Canadian Secretariat of the 27th Symposium on Hepatitis C Virus and Related Viruses in order to work on a mutually-agreeable medical education symposium which will focus on hepatitis C virus elimination by bringing together researchers from around the world to discuss challenges and identify novel approaches to tackle them.

CANADIAN LIVER FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2022

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

The **CLF-CanNASH Trust Fund** was established in 2019 as a cooperative partnership agreement between the CLF and the Steering Committee of the Canadian NASH Network to work on mutually agreeable research, education and patient support activities related specifically to Non-Alcoholic Fatty Liver Disease (NAFLD) and Non-Alcoholic Steatohepatitis (NASH). The CanNASH is a collaborative organization of health care professionals from across Canada with a primary interest in enhancing understanding, care of, education and research in persons with NAFLD with a vision of best practices for the disease state.

The **CLF-OSN Trust Fund** was established in 2020 as a cooperative partnership agreement between the CLF and the director of Omega Specialty Nurses in order to work on mutually-agreeable research, education and patient support activities related to liver disease. Omega Specialty Nurses (OSN) is a not-for-profit nursing organization focused on providing specialty nursing and allied healthcare provider services throughout Canada. OSN works collaboratively with partners and stakeholders who are motivated to bring care to patients. The first project will focus on educating and screening at-risk individuals and providing linkage to care for Hepatitis C positive individuals from Canada's Indigenous Communities.

The **Medical Research Fund** was established in 1990 to account for medical research projects established by the Board of Directors and supported primarily by the unrestricted funds of the Foundation. Donations received to fund specific medical research projects are also reflected in this fund.

Revenue and expenditure recognition

The accrual basis of accounting is used for reporting revenues and expenditures, except for unrestricted donations and bequests, which are accounted for on a cash basis unless the amount can be reasonably estimated and ultimate collection is reasonably assured. The Foundation recognizes government assistance towards current expenses in the statement of operations. When government assistance relates to future expenses, amounts are deferred and recognized as the expenses are incurred.

Funds for designated projects

Funds for Research and Education projects that are restricted by the funders for specific purposes are recorded as receipts directly in either the appropriate Research Trust Funds or Medical Research Fund as designated under the terms of the relevant agreement.

Research projects are typically funded over a two to three year period. The receipts that are restricted for application to these projects are recorded on receipt of the funding.

Research grant disbursements are expensed as incurred in accordance with the term of the respective funding agreements.

Donated services and materials

These financial statements do not reflect the value of services received during the year due to difficulties in determining the fair value.

CANADIAN LIVER FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2022

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

Tangible capital assets and amortization

Tangible capital assets are recorded at cost less accumulated amortization and amortized over their estimated useful lives at the following rates and methods:

Furniture, fixtures and equipment	5 years	straight-line method
Leasehold improvements	Term of the lease	straight-line method

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

Deferred lease inducement

Deferred lease inducements are amortized over the 10 year term of the lease.

Use of Estimates

The preparation of these financial statements in accordance 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 expenses during the period. Actual results could differ from those estimates. These estimates are based on management's best efforts and knowledge of current events and actions the Foundation may undertake. Significant estimates in these financial statements include the allocation of general expenses (*Note 12*).

Allocation of expenses

The Foundation engages in research and education programs. The costs of each program include costs directly related to providing the program, as well as an allocation of a number of general support expenses relating to personnel, premises and computer outsourcing that are common to the the administration of the Foundation. Salaries and benefits are allocated to programs based on staff estimates of time spent on each functional area. Office rent and computer outsourcing costs are allocated between departments based on headcount and functional area. Fundraising costs are not allocated.

CANADIAN LIVER FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2022

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

Financial instruments

Measurement of Financial Instruments

Financial instruments are financial assets or financial liabilities of the Foundation where, in general, the Foundation has the right to receive cash or another financial asset from another party or the Foundation has the obligation to pay another party cash or other financial assets.

The Foundation initially measures its financial assets and financial liabilities at fair value.

The Foundation subsequently measures its financial assets and financial liabilities, which are not measured at fair value at each statement of financial position date, at amortized cost.

Financial assets measured at amortized cost include cash and cash equivalents and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and long-term liabilities.

The Foundation's financial assets measured at fair value at each statement of financial position date include a portfolio of equity investments with quoted shares/units in an active market.

The Foundation accounts for regular purchases and sales of financial assets using trade date accounting.

Transactions costs

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.

The Foundation recognizes its transaction costs in net income in the period incurred for its equity investments and all other financial assets and liabilities subsequently measured at fair value. Financial instruments, that are subsequently measured at cost or amortized cost, are adjusted by the transaction costs and financing fees that are directly attributable to their origination, issuance or assumption.

Impairment

Financial assets measured at cost or amortized cost are tested for impairment, at the end of each year, to determine whether there are indicators that the asset may be impaired. The amount of the write-down, if any, is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost. The amount of the reversal is recognized in operations.

CANADIAN LIVER FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2022

3. RESTRICTED CASH

Included in cash and cash equivalents are restricted amounts as follows:

a) Gaming revenues

\$138,753 (2021 - \$85,735) earned in gaming revenues, and which is restricted by local authorities for use in the province where the gaming revenues were earned.

b) Investments held in cash and cash equivalents

\$125,179 (2021 - \$242,419) being held in the Foundation's investment account in accordance with the Investment Policy Statement (IPS) approved by the Foundation's Board of Directors. This amount is intended for deployment in investing activities under the Foundation's IPS and as such is not generally available for use towards operating expenses.

4. INVESTMENTS

	2022	2021
Cash and cash equivalents	\$ 125,179	\$ 242,419
Bonds	2,255,203	2,769,531
Equities	3,833,541	5,510,713
Units in income trusts	541,474	361,222
Subtotal	6,755,397	8,883,885
Less cash and cash equivalents (Note 3)	(125,179)	(242,419)
Total	\$ 6,630,218	\$ 8,641,466

Investments are stated at fair value at year-end and have an original cost of \$5,071,256 (2021 - \$6,175,895).

Included in interest, dividends and realized capital gains (losses) are realized capital losses of \$232,597 (2021 - realized capital gains of \$128,924).

5. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	Net 2022	Net 2021
Furniture, fixtures and equipment	\$ 449,800	\$ 419,190	\$ 30,610	\$ 25,426
Leasehold improvements	305,441	194,750	110,691	124,245
	\$ 755,241	\$ 613,940	\$ 141,301	\$ 149,671

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities is \$nil (2021 - \$321,673) representing amounts due to governments for other than source deductions or other trust amounts.

CANADIAN LIVER FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2022

7. RESEARCH COMMITMENTS

The Foundation has awarded a number of multi-year research grants which will be funded as the research progresses and agreed reporting criteria have been met. Funding committed in future years is as follows:

2023	\$ 149,000
2024	125,000
	<u>\$ 274,000</u>

8. COMMITMENTS

In addition to the research commitments described in Note 7, at December 31, 2022, minimum lease payments under operating leases for rental of premises and equipment, and donor related computer software ("CRM"), over the next five fiscal years approximate the following:

2023	\$ 484,614
2024	248,590
2025	203,890
2026	189,510
2027	191,637
Thereafter	613,304
	<u>\$ 1,931,545</u>

The above commitments schedule includes the National Office lease which matures in 2031, and the CRM contract costs related to maintenance fees.

Rental of premises and equipment	\$ 1,834,229
CRM maintenance	71,842
	<u>\$ 1,906,071</u>

9. ALBERTA GOVERNMENT AND PROGRAM SUPPORT SERVICES INFORMATION

The total amount paid as remuneration to employees of the Foundation whose principal duties involve fundraising was \$433,236 (2021 - \$296,382). The amounts paid as remuneration to a fundraising business, including expenses or fees paid by the Foundation on behalf of the fundraising business or as reimbursements to the fundraising business was \$74,852 (2021 - \$315,232).

10. LETTER OF CREDIT

The Foundation has access to a revolving demand credit facility bearing interest at Royal Bank of Canada prime rate plus 3.00% per annum (3.00% prime rate at December 31, 2022) to a maximum of \$100,000. The facility is secured by a general security agreement over all property. The balance outstanding under this facility was \$nil (2021 - \$nil) at year end.

CANADIAN LIVER FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2022

11. RISK MANAGEMENT

The Foundation 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 Foundation's risk exposure and concentration as of December 31, 2022.

Credit risk

Credit risk arises from the potential non-performance by counterparties of contract obligations which could lead to a financial loss to the Foundation. The Foundation's credit risk relates to its accounts receivable. In the opinion of management, the credit risk exposure to the Foundation is not significant due to the nature of its accounts receivable.

Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting its obligations. The Foundation meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted to cash.

Market risk

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk that the fair value of or future cash flows from a financial instrument denominated in currencies other than the functional currency of the Foundation will fluctuate due to changes in foreign exchange rates. The Foundation is exposed to currency risk as it invests in foreign bonds and equities totaling USD \$540,947 (2021 - USD \$361,222), which are converted to the Foundation's functional currency (CAD) in determining fair value. Accordingly, any change in fair value includes an element of foreign currency translation gain/loss as well as underlying change in market values for the foreign currency investments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk arising on its fixed income instruments, as disclosed in Note 4.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation is exposed to other price risk through its investments in quoted shares as disclosed in Note 4.

CANADIAN LIVER FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2022

12. GENERAL FUND EXPENSE ALLOCATION

	Chapter	Gaming	Education	Public Information	Fundraising	Administration	Total
Direct costs	\$ 58,296	\$ 3,946	\$ 60,267	\$ 241,523	\$ 502,720	\$ 287,699	\$ 1,154,451
Allocated costs:							
Salaries and benefits	97,486	-	279,510	172,070	351,036	676,113	1,576,215
Office rent	-	-	54,518	27,259	13,344	75,744	170,865
Computer outsourcing	-	-	76,465	37,979	43,919	101,153	259,516
2022 Total	\$ 155,782	\$ 3,946	\$ 470,760	\$ 478,831	\$ 911,019	\$ 1,140,709	\$ 3,161,047
Direct costs	\$ 40,577	\$ 4,361	\$ 85,867	\$ 173,873	\$ 491,673	\$ 370,925	\$ 1,167,276
Allocated costs:							
Salaries and benefits	111,575	-	383,775	147,688	156,883	738,302	1,538,223
Office rent	-	-	53,376	26,688	13,344	72,321	165,729
Computer outsourcing	-	-	104,337	51,289	26,084	169,890	351,600
2021 Total	\$ 152,152	\$ 4,361	\$ 627,355	\$ 399,538	\$ 687,984	\$ 1,351,438	\$ 3,222,828

CANADIAN LIVER FOUNDATION

Schedule of Research Trust Funds

Year Ended December 31, 2022

	Balance, beginning of the year	Transfer to Medical Research Fund in support of research	Contributions	Chapter Donations	Investment Loss	Program Costs	Balance, end of year
W.P. Gilbride	\$ 188,076	\$ -	\$ -	\$ -	\$ (26,720)	\$ -	\$ 161,356
Sarah Ralston	829	-	-	-	(132)	-	697
Chair of Hepatology	6,010	-	-	-	-	-	6,010
CanHepC	1,849,487	-	90,338	-	(237,413)	(356,564)	1,345,848
Raj Bhargava	2,359	-	-	-	(515)	-	1,844
CPHRG	8,485	-	-	-	(1,335)	-	7,150
CASL	1,348,884	-	557,566	-	(190,825)	(659,192)	1,056,433
MUHC	139,564	-	-	-	(22,359)	-	117,205
HepB Study Group	390,628	-	-	150,000	(21,867)	(209,327)	309,434
CLF - Dalhousie	58,902	-	-	-	375	-	59,277
CLF - Canadian Liver Meeting	352,956	-	592,852	-	-	(908,319)	37,489
CLF - Lee Liver Research	11,400	-	-	-	-	-	11,400
CLF-CDTRP	1,821,887	-	648,629	-	(274,135)	(281,903)	1,914,478
Kenroc	1,891	-	185,257	-	(7,311)	-	179,837
CLF - RECAP	4,351	-	-	-	-	-	4,351
CLTN - CLF	61,524	-	-	-	(9,512)	-	52,012
SIDCN	126,337	-	-	-	(13,789)	(35,379)	77,169
CaNAL - CLF	53,893	-	10,875	-	(4,981)	(5,521)	54,266
CCC - CLF	4,701	-	-	-	-	-	4,701
HCV2021	154,037	-	3,024	-	-	(125,930)	31,131
CLF - UCalgary	122,957	-	116,375	-	(6,725)	(105,024)	127,583
CLF - CanNASH	184,488	-	-	-	(11,269)	(110,892)	62,327
CLF - OSN	55,826	-	-	-	(7,094)	(12,802)	35,930
	\$ 6,949,472	\$ -	\$ 2,204,916	\$ 150,000	\$ (835,607)	\$ (2,810,853)	\$ 5,657,928

See notes to financial statements