Financial Statements of

THE TERRY FOX RESEARCH INSTITUTE

Year ended March 31, 2010

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AUDITORS' REPORT

To the Board of Directors of The Terry Fox Research Institute

We have audited the statement of financial position of The Terry Fox Research Institute as at March 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Institute as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a consistent basis with that of the preceding year.

KPMG LLP

Chartered Accountants

Chilliwack, British Columbia
June 28, 2010

THE TERRY FOX RESEARCH INSTITUTE

Statement of Financial Position

March 31, 2010, with comparative figures for 2009

	2010	2009
Assets		
Current assets:		
Cash and short-term investment (Note 3)	$ 1,060,383	$ 1,747,496
Accrued interest	7,336	48,331
Due from Canadian Partnership Against Cancer	-	1,000,000
Other assets	28,041	4,396
	1,095,760	2,800,223
Equipment (Note 4)	41,980	13,414
Due from The Terry Fox Foundation (Note 6)	-	212,373
	$ 1,137,740	$ 3,026,010
Liabilities and Net Assets		
Current liability:		
Accounts payable and accrued liabilities	$ 484,454	$ 384,094
Due to The Terry Fox Foundation (Note 6)	104,262	-
Deferred contributions (Note 5)	306,162	2,378,939
Net assets:		
Invested in equipment	41,980	13,414
Unrestricted	200,882	249,563
	242,862	262,977
Commitments (Note 7)		
	$ 1,137,740	$ 3,026,010

See accompanying notes to financial statements.

On behalf of the Board:

______________________ Director

______________________ Director

THE TERRY FOX RESEARCH INSTITUTE

Statement of Operations

Year ended March 31, 2010, with comparative figures for 2009

		2010		2009
Revenue:				
Research Funding:				
The Terry Fox Foundation (Note 6)	$	5,150,000	$	3,650,000
Canadian Partnership Against Cancer (Note 5)		2,072,777		2,548,260
Interest income		25,093		82,232
Donations		194		146
		7,248,064		6,280,638
Cancer research grants provided		6,147,394		5,350,603
		1,100,670		930,035
Administrative expenses:				
Amortization		9,674		2,683
Meetings and conferences		73,851		31,356
Occupancy expense		69,886		-
Office and miscellaneous		29,026		18,069
Professional fees		55,057		38,165
Program development		305,833		12,371
Promotion		33,205		11,416
Salaries and benefits		544,253		525,868
		1,120,785		639,928
Excess (deficiency) of revenue over expenses	$	(20,115)	$	290,107

See accompanying notes to financial statements.

THE TERRY FOX RESEARCH INSTITUTE

Statement of Changes in Net Assets

Year ended March 31, 2010, with comparative figures for 2009

	Invested in equipment	Unrestricted	Total 2010	Total 2009
Net assets (deficiency), beginning of year	$ 13,414	$ 249,563	$ 262,977	$ (27,130)
Excess (deficiency) of revenue over expenses	(9,674)	(10,441)	(20,115)	290,107
Investment in equipment	38,240	(38,240)	-	-
Net assets, end of year	$ 41,980	$ 200,882	$ 242,862	$ 262,977

THE TERRY FOX RESEARCH INSTITUTE

Statement of Cash Flows

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	$ (20,115)	$ 290,107
Item not involving cash:		
Amortization	9,674	2,683
Changes in non-cash operating working capital:		
Accrued interest	40,995	(45,927)
Other assets	(23,645)	(3,145)
Accounts payable and accrued liabilities	100,360	274,954
	107,269	518,672
Financing:		
Decrease (increase) in due from Canadian Partnership Against Cancer	1,000,000	(1,000,000)
Advances from (to) The Terry Fox Foundation	316,635	(212,373)
Decrease in deferred contributions	(2,072,777)	(548,260)
	(756,142)	(1,760,633)
Investments:		
Additions to equipment	(38,240)	(16,097)
Decrease in cash and short-term investments	(687,113)	(1,258,058)
Cash and short-term investments, beginning of year	1,747,496	3,005,554
Cash and short-term investments, end of year	$ 1,060,383	$ 1,747,496

See accompanying notes to financial statements.

The Terry Fox Research Institute (the "Institute") was incorporated by letters patent on March 14, 2007 to promote, advance and fund scientific research into the treatment and prevention of cancer by providing grants to groups of researchers working toward a common goal ("Nodes") to be used toward approved cancer research projects.

1. Significant accounting policies:

(a) Revenue recognition:

The Institute follows the deferral method of accounting for contributions which include donations and government grants.

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.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized.

Interest income on short-term investments is recorded on an accrual basis.

(b) Financial instruments:

The Institute accounts for its financial assets and liabilities in accordance with Canadian generally accepted accounting principles.

The financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in net assets.

The Institute has designated the following:

(i) Cash is classified as held-for-trading, which is measured at market value.

(ii) Short-term investments are designated as held-to-maturity and are measured at amortized cost. Transaction costs related to short-term investments are included in the initial measurement of the investment and are amortized using the effective interest rate method.

1. Significant accounting policies (continued):

(b) Financial instruments (continued):

(iii) Accrued interest, due from Canadian Partnership Against Cancer, due from The Terry Fox Foundation and other receivables are classified as loans and receivables, which are measured at amortized cost.

(iv) Accounts payable, accrued liabilities and due to The Terry Fox Foundation are classified as other financial liabilities, which are measured at amortized cost.

(c) Equipment:

Purchased equipment is recorded at cost. Amortization is calculated on a straight-line basis over the useful lives of the assets at the following rates:

Leasehold improvements	5 years
Computer equipment	3 years
Furniture and office equipment	5 years

(d) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(e) Future changes in accounting standards:

The Accounting Standards Board and the Public Sector Accounting Board have recently approved for release an exposure draft which suggests that Not-for-Profit enterprises (NFPs) in Canada that are not in the public sector be given a choice to adopt either International Financial Reporting Standards (IFRS) or a private company framework with not·for-profit oriented specific areas, similar to what is currently used in Canada. The final status of Generally Accepted Accounting Principles ("GAAP') for NFPs in Canada is pending comments received on the exposure draft and an eventual final standard. For those entities that do adopt IFRS, the changeover will require the following:

(i) IFRS balance sheet and profit and loss information to be available for the "comparative period". As such, the opening balance sheet as at the April 1, 2010 transition date will need to be converted to IFRS.

1. Significant accounting policies (continued):

(ii) IFRS disclosures (which are considered to be much more extensive than current Canadian GAAP)

Based on this exposure draft, the Institute will be required to adopt one of these accounting frameworks for the year beginning April 1, 2012. Until that date, no change in the accounting standards currently used would occur. The Institute is currently evaluating its options and will finalize its decision once the final accounting standards for NFPs are released.

2. Capital management:

The Institute receives the majority of capital funds from The Terry Fox Foundation. The Institute defines capital to be net assets and deferred contributions.

The Institute's objective when managing capital is to retain enough capital to continue to be able to fund scientific research into the treatment and prevention of cancer. The Institute manages capital by approving research projects based on available funds and the goal of the project. Currently, the Institute's strategy is to monitor the success of the projects and to provide further funding if necessary.

3. Cash and short-term investment:

	2010	2009
Cash	$ 560,383	$ 367,496
Short-term investment	500,000	1,380,000
	$ 1,060,383	$ 1,747,496

The short-term investment is a guaranteed investment certificate with an interest rate of 1.5% maturing on April 9, 2010 (2009 - interest rate of 3.25% maturing on July 3, 2009). The investment is classified as held-to-maturity.

4. Equipment:

						2010		2009
		Cost		Accumulated amortization		Net book value		Net book value
Leasehold improvements	$	29,960	$	2,996	$	26,964	$	-
Computer equipment		23,355		9,258		14,097		13,414
Furniture and office equipment		1,021		102		919		-
	$	54,336	$	12,356	$	41,980	$	13,414

5. Deferred contributions:

In fiscal 2008, the Institute entered into a long-term collaborative research agreement with the Canadian Partnership Against Cancer ("CPAC"). CPAC is an independent corporation charged with accelerating action on cancer control across Canada and was formed in November of 2006.

The purpose of the agreement is to have CPAC contribute to the funding of a Pan-Canadian Cancer Biomarker initiative of the Institute for a period of five years. CPAC has committed to funding not to exceed $10 million, with a total of $5 million provided to-date.

As a result of the specified purpose of the funding, amounts received from CPAC are recorded as deferred contributions until such time as eligible expenditures are made. Transactions under this agreement were as follows:

	2010	2009
Deferred contributions, beginning of year	$ 2,378,939	$ 2,927,199
Funding provided	-	2,000,000
Eligible expenditures:		
Cancer research funding	(2,063,701)	(2,546,385)
Conferences, events and meetings	(9,076)	(1,875)
	(2,072,777)	(2,548,260)
Deferred contributions, end of year	$ 306,162	$ 2,378,939

6. **Related party transactions:**

During the year, The Terry Fox Foundation (the "Foundation") provided the Institute with $5,150,000 (2009 - $3,650,000) in research funding. The Institute then distributed $4,083,693 (2009 - $2,804,218) of the total funds received to various institutions for cancer research. The remaining funds were invested or used for administrative expenses.

The Institute and the Foundation have certain common officers and management.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. **Commitments:**

(i) The Institute has entered into a lease agreement for office premises that require monthly payments of $5,649 until June 2012.

(ii) The Institute has committed to funding research projects under the CPAC agreement and from The Terry Fox Foundation, subject to the availablilty of funds, over the next four years:

2011	$ 6,886,624
2012	4,332,051
2013	3,501,354
2014	852,911
	$ 15,572,940

8. **Financial instruments:**

The carrying values of cash and short-term investments, accrued interest, accounts payable and accrued liabilities and due to The Terry Fox Foundation approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

9. **Comparative figures:**

Certain comparative figures have been reclassified to conform with the financial presentation adopted in the current year.