Financial Statements of

THE TERRY FOX RESEARCH INSTITUTE

Years ended March 31, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Terry Fox Research Institute

We have audited the accompanying financial statements of The Terry Fox Research Institute, which comprise the statement of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, and notes, comprising 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 our 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, we consider 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Terry Fox Research Institute as at March 31, 2013, March 31, 2012 and April 1, 2011, and its results of operations, changes in net assets and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the Canada Corporations Act, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Accountants

August 8, 2013

Chilliwack, British Columbia

THE TERRY FOX RESEARCH INSTITUTE

Statement of Financial Position

March 31, 2013, 2012 and April 1, 2011

		March 31, 2013		March 31, 2012		April 1, 2011
Assets						
Current assets:						
Cash and short-term investment (note 3)	$	344,457	$	694,270	$	631,586
Accrued interest		-		1,248		1,241
Other assets (note 4)		59,834		114,734		31,636
		404,291		810,252		664,463
Equipment (note 5)		9,294		16,700		27,999
	$	413,585	$	826,952	$	692,462
Liabilities and Net Assets						
Current liability:						
Accounts payable and accrued liabilities (note 6)	$	249,169	$	217,052	$	210,679
Due to the Terry Fox Foundation (note 7)		15,394		372,164		5,223
Deferred contributions (note 8)		-		-		269,492
Net assets:						
Invested in equipment		9,294		16,700		27,999
Unrestricted		139,728		221,036		179,069
		149,022		237,736		207,068
Commitments (note 9)						
	$	413,585	$	826,952	$	692,462

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

THE TERRY FOX RESEARCH INSTITUTE

Statements of Operations

Years ended March 31, 2013 and 2012

	2013	2012
Revenue:		
Research Funding:		
Other research funding	$ 182,424	$ 89,209
The Terry Fox Foundation (note 7)	9,885,682	5,819,924
Canadian Partnership Against Cancer (note 8)	-	2,458,117
Interest income	2,027	4,236
Government student grants	-	12,569
	10,070,133	8,384,055
Cancer research grants provided	8,820,563	7,116,345
	1,249,570	1,267,710
Administrative expenses:		
Amortization	7,406	11,299
Meetings and conferences	60,189	93,926
Occupancy expense	63,677	72,356
Office and miscellaneous	64,185	89,631
Professional fees	68,420	51,393
Program development	294,608	169,295
Promotion	17,565	41,881
Salaries and benefits	762,234	707,261
	1,338,284	1,237,042
(Deficiency) surplus of revenue over expenses	$ (88,714)	$ 30,668

See accompanying notes to financial statements.

THE TERRY FOX RESEARCH INSTITUTE

Statements of Changes in Net Assets

Years ended March 31, 2013 and 2012

	Invested in equipment	Unrestricted	Total 2013	Total 2012
Net assets, beginning of year	$ 16,700	$ 221,036	$ 237,736	$ 207,068
(Deficiency) surplus of revenue over expenses	(7,406)	(81,308)	(88,714)	30,668
Net assets, end of year	$ 9,294	$ 139,728	$ 149,022	$ 237,736

See accompanying notes to financial statements.

THE TERRY FOX RESEARCH INSTITUTE

Statements of Cash Flows

Years ended March 31, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operations:		
(Deficiency) surplus of revenue over expenses	$ (88,714)	$ 30,668
Item not involving cash:		
Amortization	7,406	11,299
Changes in non-cash operating working capital:		
Accrued interest	1,248	(6)
Other assets	54,900	(83,098)
Accounts payable and accrued liabilities	32,117	6,372
	6,957	(34,765)
Financing:		
Advances (to) from The Terry Fox Foundation	(356,770)	366,941
Decrease in deferred contributions	-	(269,492)
	(356,770)	97,449
(Decrease) increase in cash and short-term investments	(349,813)	62,684
Cash and short-term investments, beginning of year	694,270	631,586
Cash and short-term investments, end of year	$ 344,457	$ 694,270

See accompanying notes to financial statements.

General:

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.

On April 1, 2012, the Institute adopted Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook. These are the first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations.

In accordance with the transitional provisions in Canadian accounting standards for not-for-profit organizations, the Institute has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying Canadian accounting standards for not-for-profit organizations.

There were no adjustments to net assets as at April 1, 2011 and surplus of revenue over expenses for the year ended March 31, 2012 as a result of the transition.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook. The Institute’s significant accounting policies are as follows:

(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.

1. Significant accounting policies (continued):

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and 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. The Institute has not elected to carry any such financial 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.

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 Institute determines if 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 Institute expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(c) Equipment:

Equipment is stated at cost, less accumulated amortization. Amortization is provided using the straight-line method and following annual rates:

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

1. Significant accounting policies (continued):

(d) Use of estimates:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations which require management estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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 on an ongoing basis and to provide further funding as necessary.

3. Cash and short-term investment:

	2013	2012
Cash	$ 344,457	$ 185,501
Short-term investment	-	508,769
	$ 344,457	$ 694,270

The short-term investment was a guaranteed investment certificate with an interest rate of 0.25% that matured on April 9, 2012.

4. Other assets:

	2013	2012
Accounts receivable	$ 31,135	$ 55,959
HST receivable	28,699	58,775
	$ 59,834	$ 114,734

5. Equipment:

			2013
	Cost	Accumulated amortization	Net book value
Leasehold improvements	$ 29,960	$ 20,972	$ 8,988
Computer equipment	23,356	23,356	-
Furniture and office equipment	1,021	715	306
	$ 54,337	$ 45,043	$ 9,294

			2012
	Cost	Accumulated amortization	Net book value
Leasehold improvements	$ 29,960	$ 14,980	$ 14,980
Computer equipment	23,556	22,147	1,209
Furniture and office equipment	1,021	510	511
	$ 54,537	$ 37,637	$ 16,700

6. Post retirement obligation:

The Institute has a fixed post-retirement benefit plan for one of its senior management employees on loan from their regular employer ("Employer"). The benefits are based on years of service and annual base salary as determined by the Employer. The unfunded obligation is $144,337 (2012 - $115,710) and no assets are segregated for this obligation. The employee future benefit expense recognized during the year for current service was $28,627 (2012 - $27,974).

7. Related party transactions:

During the year, The Terry Fox Foundation (the "Foundation") provided the Institute with $9,885,682 (2012 - $5,819,924) in research funding. The Institute then distributed $8,669,033 (2012 - $4,506,634) 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. The Institute is economically dependant on the Foundation for future research funding.

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.

8. 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 $9,960,954 provided to-date. The agreement is now complete.

9. Commitments:

(i) The Institute has entered into a lease agreement for office premises that require monthly payments of $4,804 until June 2014.

(ii) The Institute has committed to funding research projects on behalf of and based upon suitable support from The Terry Fox Foundation, subject to the availability of funds, over the next five years as follows:

2014	$ 24,256,414
2015	16,755,721
2016	10,590,158
2017	5,620,125
2018	2,327,081
Thereafter	375,000
	$ 59,924,499