Financial Statements of

THE TERRY FOX RESEARCH INSTITUTE

Year ended March 31, 2015

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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 balance sheet as at March 31, 2015, the statements of operations, changes in net assets and cash flows for the year then ended, 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 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 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 audit 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, 2015, and its results of operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants

September 14, 2015

Chilliwack, British Columbia

THE TERRY FOX RESEARCH INSTITUTE

Balance Sheet

March 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Cash	$ 176,443	$ 399,075
Other assets (note 4)	57,627	16,944
	234,070	416,019
Equipment (note 5)	6,543	6,943
	$ 240,613	$ 422,962
Liabilities and Net Assets		
Current liability:		
Accounts payable and accrued liabilities	$ 87,326	$ 56,352
Pension plan liability (note 6)	205,704	175,030
Due to the Terry Fox Foundation (note 7)	47,591	24,423
Deferred contributions	26,250	115,084
Net assets:		
Invested in equipment	6,543	6,943
Unrestricted	(149,468)	45,130
	(126,258)	52,073
Commitments (note 8)		
	$ 240,613	$ 422,962

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, 2015, with comparative information for 2014

	2015	2014
Revenue:		
Research Funding:		
The Terry Fox Foundation (note 7)	$ 20,946,485	$ 21,792,963
Other research funding	650,462	394,150
Interest income	60	370
Government student grants	89	156
	21,597,096	22,187,639
Cancer research supported	19,928,032	20,848,005
Cancer research programs management	467,289	233,692
	20,395,321	21,081,697
	1,201,775	1,105,942
Administrative expenses:		
Amortization	5,483	6,965
Meetings and conferences	84,093	84,872
Occupancy expense	59,083	59,083
Office and miscellaneous	36,713	28,143
Professional fees	102,157	109,617
Program development	54,525	23,055
Promotion	35,549	7,068
Salaries and benefits	1,002,503	884,088
	1,380,106	1,202,891
Deficiency of revenue over expenses	$ (178,331)	$ (96,949)

See accompanying notes to financial statements.

THE TERRY FOX RESEARCH INSTITUTE

Statement of Changes in Net Assets

Year ended March 31, 2015, with comparative information for 2014

	Invested in equipment	Unrestricted	Total 2015	Total 2014
Balance, beginning of year, as prevously stated	$ 6,943	$ 61,796	$ 68,739	$ 149,022
Change in accounting policy (note 2)	-	(16,666)	(16,666)	-
As restated	6,943	45,130	52,073	149,022
Deficiency of revenue over expenses	(5,483)	(172,848)	(178,331)	(96,949)
Net change in investment in equipment	5,083	(5,083)	-	-
Net assets, end of year	$ 6,543	$ (132,801)	$ (126,258)	$ 52,073

See accompanying notes to financial statements.

THE TERRY FOX RESEARCH INSTITUTE
Statement of Cash Flows

Year ended March 31, 2014 with comparative information for 2013

		2015		2014
Cash provided by (used in):				
Operations:				
Deficiency of revenue over expenses	$	(178,331)	$	(96,949)
Items not involving cash:				
Amortization		5,483		6,965
Changes in non-cash operating working capital:				
Other assets		(40,683)		42,890
Accounts payable and accrued liabilities		30,974		(48,480)
		(182,557)		(95,574)
Financing:				
Increase in pension plan liability		30,674		30,693
Increase (decrease) in deferred contributions		(88,834)		115,084
Advances from The Terry Fox Foundation		23,168		9,029
		(34,992)		154,806
Investing:				
Purchase of equipment		(5,083)		(4,614)
Increase (decrease) in cash		(222,632)		54,618
Cash, beginning of year		399,075		344,457
Cash, end of year	$	176,443	$	399,075

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.

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 CPA Canada Handbook – Accounting. 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.

(b) Expenditure recognition:

Expenditures are charged to mission expenditure priorities, principally cancer research.

Research includes research funding and the costs of managing research programs. Research funding (projects, personnel and research centres) focuses on activities to advance our understanding, diagnosis and treatment of cancer with the goal of improving significantly the outcomes of cancer research for the patient. Managing research programs focuses on activities as the scientific review process, research forums, advisory committees and linkage with researchers.

1. Significant accounting policies (continued):

(c) 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.

(d) 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):

(e) 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. Change in accounting policy:

Effective April 1, 2014, the Institute adopted CPA Canada Handbook - Accounting Part III Section 3463, Employee Future Benefits ("CPA 3463"). Under the new standard, it is no longer possible to defer gains and losses. Furthermore, the finance cost is calculated using the discount rate only rather than using the expected return on plan assets. The adoption of CPA 3463 was done on a retrospective basis and the comparative figures have been adjusted.

These changes relate to a post-retirement benefit plan administered by a related party, Terry Fox Foundation, and reflects the cost allocated to the Institute.

These changes have been recorded retroactively and, accordingly, the comparative information has been increased (decreased) as follows:

		Adoption of CPA 3463
Balance sheet:		
Due to Terry Fox Foundation	$	(16,666)
Statement of operations:		
Retained earnings, beginning of 2015	$	16,666
Salaries and benefits, 2014	$	16,666

3. 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.

4. Other assets:

	2015	2014
Accounts receivable	$ 40,590	$ -
GST receivable	17,037	16,944
	$ 57,627	$ 16,944

5. Equipment:

	Cost	Accumulated amortization	2015 Net book value	2014 Net book value
Furniture and office equipment	$ 1,021	$ 1,021	$ -	$ 102
Computer equipment	33,053	26,510	6,543	3,845
Leasehold improvements	29,960	29,960	-	2,996
	$ 64,034	$ 57,491	$ 6,543	$ 6,943

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 $205,704 (2014 - $175,030) and is included in accounts payable, however, no assets are segregated for this obligation. The employee future benefit expense recognized during the year for current service was $30,675 (2014 - $30,692).

7. Related party transactions:

During the year, The Terry Fox Foundation (the "Foundation") provided the Institute with $20,946,485 (2014 - $21,792,963) in research funding. The Institute then distributed $19,414,867 (2014 - $20,493,819) 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. Commitments:

(a) The Institute has entered into a lease agreement for office premises that require monthly payments of $4,804 until June 2016.

(b) 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:

	Supported by others	Supported by the Terry Fox Foundation
2016	$ 304,159	$ 19,531,233
2017	164,971	14,364,206
2018	-	8,084,454
2019	-	3,405,379
2020	-	554,843
	$ 469,130	$ 45,940,115

9. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

10. Financial statement risks

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Institute deals with creditworthy counterparties to mitigate the risk of financial loss from defaults. The Institute monitors the credit risk of customers through credit rating reviews.

(b) Liquidity risk:

Liquidity risk is the risk that the Institute will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Institute manages its liquidity risk by monitoring its operating requirements. The Institute prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2014.