

The Terry Fox Research Institute

Financial Statements
March 31, 2018



September 28, 2018

Independent Auditor's 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, 2018 and the statements of operations, changes in net assets 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 audit opinion.

*PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806*



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, 2018 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

The Terry Fox Research Institute
Statement of Financial Position
As at March 31, 2018

	2018 \$	2017 \$
Assets		
Current assets		
Cash	324,050	127,576
Accounts receivable and other assets	12,572	56,477
Due from The Terry Fox Foundation (note 7)	63,691	569,491
	<u>400,313</u>	<u>753,544</u>
Capital assets (note 4)	<u>1,153</u>	<u>4,306</u>
	<u>401,466</u>	<u>757,850</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	93,848	80,968
Grants payable	-	322,711
	<u>93,848</u>	<u>403,679</u>
Pension obligation (note 5)	<u>303,729</u>	<u>269,155</u>
	<u>397,577</u>	<u>672,834</u>
Net assets		
Invested in capital assets	1,153	4,306
Unrestricted	<u>2,736</u>	<u>80,710</u>
	<u>3,889</u>	<u>85,016</u>
	<u>401,466</u>	<u>757,850</u>
Economic dependence (note 2)		
Commitments (note 8)		

Approved by the Board of Directors

 _____ Director

 _____ Director

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

The Terry Fox Research Institute

Statement of Operations

For the year ended March 31, 2018

	2018 \$	2017 \$
Revenue		
Research funding		
The Terry Fox Foundation (note 7)	23,136,274	22,344,236
Other research funding	271,144	361,685
Other income	124,151	1,251
	<hr/> 23,531,569	<hr/> 22,707,172
Research expenses		
Translational cancer research programs	5,740,535	4,933,655
Discovery programs		
Program project grants	14,156,095	14,537,862
New investigator awards	1,487,827	1,344,009
Research training and other	313,500	178,333
Program development and delivery costs	393,207	486,695
	<hr/> 22,091,164	<hr/> 21,480,554
Administrative expenses (note 6)	1,521,532	1,232,138
	<hr/> 23,612,696	<hr/> 22,712,692
Deficiency of revenue over expenses	<hr/> <u>(81,127)</u>	<hr/> <u>(5,520)</u>

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

The Terry Fox Research Institute

Statement of Changes in Net Assets

For the year ended March 31, 2018

			2018	2017
	Invested in capital assets \$	Unrestricted \$	Total \$	Total \$
Balance - Beginning of year	4,306	80,710	85,016	90,536
Deficiency of revenue over expenses	(3,153)	(77,974)	(81,127)	(5,520)
Balance - End of year	1,153	2,736	3,889	85,016

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

The Terry Fox Research Institute

Statement of Cash Flows

For the year ended March 31, 2018

	2018 \$	2017 \$
Cash provided by (used in)		
Cash flows from operating activities		
Deficiency of revenue over expenses	(81,127)	(5,520)
Item not affecting cash - amortization	3,153	4,770
	<hr/>	<hr/>
	(77,974)	(750)
Changes in non-cash operating working capital		
Accounts receivable and other assets	43,906	42,323
Due from The Terry Fox Foundation	505,800	(548,526)
Accounts payable and accrued liabilities	12,879	8,702
Grants payable	(322,711)	(1,677,289)
	<hr/>	<hr/>
	161,900	(2,175,540)
Cash flows from financing activities		
Increase in pension plan liability	34,574	32,776
	<hr/>	<hr/>
Increase (decrease) in cash	196,474	(2,142,764)
Cash - Beginning of year	127,576	2,270,340
	<hr/>	<hr/>
Cash - End of year	324,050	127,576
	<hr/>	<hr/>

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

The Terry Fox Research Institute

Notes to Financial Statements

March 31, 2018

1 General

The Terry Fox Research Institute (the "Institute") is a registered charity and was incorporated by letters patent on March 14, 2007 to promote, advance and fund scientific research into the diagnosis, treatment and prevention of cancer. The Institute's mission is to provide grants to groups of researchers working toward a common goal based on excellence and the potential for impact.

The Terry Fox Foundation (the "Foundation"), a party related to the Institute, raises funds for cancer research. Funds raised are provided to the Institute for allocation to the best cancer research. The Institute and the Foundation are maintained as separate and independent organizations with many common purposes and mutual interests. Certain services are shared between the Institute and the Foundation in order to reduce costs and increase efficiencies.

2 Economic dependence

The Institute is economically dependent on the Foundation for future research and operating funding, as the Foundation provides significant funding to the Institute.

3 Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada ("CPA Canada") Handbook - Accounting. The Institute's significant accounting policies are as follows:

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 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.

Research and other expenses

Research includes research funding and the costs of managing research programs. Research funding (for translational and discovery projects, research centres and training) 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 such as the scientific review process, research forums, advisory committees and linkage with researchers.

The Terry Fox Research Institute

Notes to Financial Statements

March 31, 2018

The Institute recognizes a research grant expense when an approved research recipient has complied with the conditions of a research grant or collaborative research agreement and the Institute has approved payment of the research grant expense.

Other operating expenses are recognized on the accrual basis of accounting.

Financial instruments

Financial instruments are recorded at fair value on initial recognition and 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.

Capital assets

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

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

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 amounts 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.

4 Capital assets

	2018		2017	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Computer equipment	39,971	38,818	1,153	4,306

The Terry Fox Research Institute

Notes to Financial Statements

March 31, 2018

5 Pension obligation

The Institute has a defined contribution supplemental pension arrangement for one of its senior management employees. The liabilities accrue annually and will be payable by the Institute upon the employee's retirement. The benefits are based on years of service and annual base salary as determined by the Institute. The obligation is \$303,729 (2017 - \$269,155).

6 Administrative expenses

	2018	2017
	\$	\$
Amortization	3,153	4,770
General office	30,453	37,311
Governance	16,159	15,582
Legal and professional	4,907	8,563
Office space	59,083	59,083
Partnerships	6,565	5,064
Program development	21,131	15,572
Research communications	188,111	46,477
Research support services	68,096	64,628
Salaries and benefits	1,052,175	904,181
Staff travel	71,699	70,907
	<hr/>	<hr/>
	1,521,532	1,232,138

7 Related party transactions

During the year, the Foundation provided the Institute with \$23,136,274 (2017 - \$22,344,236) in research funding. The Institute then distributed \$21,366,797 (2017 - \$20,710,041) of the total funds received to various institutions for cancer research. The remaining funds were used for administrative expenses.

The Foundation provides the Institute with certain administrative support including finance and payroll. 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.

The Terry Fox Research Institute

Notes to Financial Statements

March 31, 2018

8 Commitments

- a) The Institute has entered into a lease agreement for office premises that requires monthly base rent payments of \$4,924 until June 2018, with an option to renew. Subsequent to year-end, this lease agreement has now been extended until June 2019, with a further option to renew.
- b) The Institute has committed to funding research projects on behalf of and based upon suitable support from the Foundation, subject to the availability of funds, over the next five years as follows:

	Cancer research programs \$	Discovery program project grants \$	New investigator awards \$	Cancer centre pilots \$	Research training \$	Total supported by the Foundation \$	Supported by others \$
2019	6,241,745	13,166,927	1,311,905	1,500,000	450,000	22,670,577	125,000
2020	4,178,799	9,260,868	1,232,912	500,000	261,500	15,434,079	-
2021	3,942,516	6,551,780	225,000	-	-	10,719,296	-
2022	1,414,308	4,045,100	-	-	-	5,459,408	-
2023	506,825	857,952	-	-	-	1,364,777	-
	<u>16,284,193</u>	<u>33,882,627</u>	<u>2,769,817</u>	<u>2,000,000</u>	<u>711,500</u>	<u>55,648,137</u>	<u>125,000</u>

9 Risk management

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 is not exposed to significant credit risk.

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 2017.