

Terry Fox Research Institute

Financial Statements

March 31, 2020



Independent auditor's report

To the Board of Directors of The Terry Fox Research Institute

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Terry Fox Research Institute (the Institute) as at March 31, 2020 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.

What we have audited

The Institute's financial statements comprise:

- the statement of financial position as at March 31, 2020;
- the statement of operations for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Institute in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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 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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



In preparing the financial statements, management is responsible for assessing the Institute'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 Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

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 Institute'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 Institute'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 Institute 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
September 11, 2020

Terry Fox Research Institute

Statement of Financial Position

As at March 31, 2020

	2020 \$	2019 \$
Assets		
Current assets		
Cash	560,145	808,018
Accounts receivable and other assets	12,533	9,566
	<u>572,678</u>	<u>817,584</u>
Capital assets (note 4)	24,588	29,659
	<u>597,266</u>	<u>847,243</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	113,872	234,423
Deferred contributions	-	201,372
	<u>113,872</u>	<u>435,795</u>
Pension obligation (note 5)	377,315	340,396
	<u>491,187</u>	<u>776,191</u>
Net Assets		
Invested in capital assets	24,588	29,659
Unrestricted	81,491	41,393
	<u>106,079</u>	<u>71,052</u>
	<u>597,266</u>	<u>847,243</u>
Economic dependence (note 2)		
Commitments (note 8)		
Subsequent events (note 10)		

Approved by the Board of Directors

Carol Chiang Director

[Signature] Director

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

Terry Fox Research Institute

Statement of Operations

For the year ended March 31, 2020

	2020 \$	2019 \$
Revenue		
The Terry Fox Foundation contributions (note 7)	23,767,381	28,132,913
Other research funding	87,637	257,290
Other income	161	1,949
	<u>23,855,179</u>	<u>28,392,152</u>
Research expenses		
Translational cancer research programs	4,745,899	6,330,651
Cancer centres pilots	1,972,786	1,912,782
Discovery programs		
Program project grants	13,411,749	16,545,454
New investigator awards	1,596,846	1,328,337
Research training	150,000	515,000
Program development and delivery costs	318,553	196,644
	<u>22,195,833</u>	<u>26,828,868</u>
Administrative expenses (note 6)	<u>1,624,319</u>	<u>1,496,121</u>
	<u>23,820,152</u>	<u>28,324,989</u>
Excess of revenue over expenses	<u>35,027</u>	<u>67,163</u>

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

Terry Fox Research Institute
Statement of Changes in Net Assets
For the year ended March 31, 2020

	Invested in capital assets \$	Unrestricted \$	Total \$
Balance – March 31, 2019	29,659	41,393	71,052
Excess (deficiency) of revenue over expenses	(11,151)	46,178	35,027
Investment in capital assets	6,080	(6,080)	-
Balance – March 31, 2020	<u>24,588</u>	<u>81,491</u>	<u>106,079</u>

	Invested in capital assets \$	Unrestricted \$	Total \$
Balance – March 31, 2018	1,153	2,736	3,889
Excess (deficiency) of revenue over expenses	(6,348)	73,511	67,163
Investment in capital assets	34,854	(34,854)	-
Balance – March 31, 2019	<u>29,659</u>	<u>41,393</u>	<u>71,052</u>

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

Terry Fox Research Institute

Statement of Cash Flows

For the year ended March 31, 2020

	2020 \$	2019 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses	35,027	67,163
Item not affecting cash – amortization	11,151	6,348
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	46,178	73,511
Changes in non-cash operating working capital		
Accounts receivable and other assets	(2,968)	3,006
Due from The Terry Fox Foundation	-	63,691
Accounts payable and accrued liabilities	(120,551)	140,575
Deferred contributions	(201,372)	201,372
	<hr/>	<hr/>
	(278,713)	482,155
Investing activities		
Purchase of capital assets	(6,079)	(34,854)
Financing activities		
Increase to pension obligation	36,919	36,667
	<hr/>	<hr/>
(Decrease) increase in cash	(247,873)	483,968
Cash – Beginning of year	808,018	324,050
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Cash – End of year	560,145	808,018
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The accompanying notes are an integral part of these financial statements.

Terry Fox Research Institute

Notes to Financial Statements

March 31, 2020

1 General

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 Institute is a registered charitable organization under the Income Tax Act and, accordingly, is exempt from income taxes.

The Terry Fox Foundation (the Foundation), a party related to the Institute with common members, 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.

Terry Fox Research Institute

Notes to Financial Statements

March 31, 2020

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 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.

Cash

Cash consists of short-term, highly liquid investments that are subject to insignificant changes in fair value, including cash on hand and deposits with financial institutions that can be withdrawn without prior notice. Cash is carried at cost, which approximates its fair value due to its short-term nature.

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:

Computer equipment	3 years
Computer software	5 years

Terry Fox Research Institute

Notes to Financial Statements

March 31, 2020

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

	2020		2019	
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Computer equipment	62,388	44,245	18,143	21,374
Computer software	9,206	2,761	6,445	8,285
	71,594	47,006	24,588	29,659

5 Pension obligation

The Institute has an unfunded defined contribution pension arrangement for one of its senior management employees, who is not part of the Institute's funded pension plan. 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 \$377,315 (2019 – \$340,396).

6 Administrative expenses

	2020	2019
	\$	\$
Amortization	11,151	6,348
General office	29,815	26,491
Governance	9,869	16,361
Legal and professional	74,175	5,125
Office space	59,083	59,203
Partnerships	3,486	872
Program development	-	345
Research communications	109,586	108,732
Research support services	132,369	113,498
Salaries and benefits	1,096,076	1,089,991
Staff travel	98,709	69,155
	1,624,319	1,496,121

Terry Fox Research Institute

Notes to Financial Statements

March 31, 2020

7 Related party transactions

During the year, the Foundation provided the Institute with \$23,767,381 (2019 – \$28,392,152) in research funding, which included deferred contributions from 2019. The Institute then distributed \$22,195,833 (2019 – \$26,807,962) 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 services have been provided on a no charge basis.

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 2020, with an option to renew. Subsequent to year-end, this lease agreement has now been extended until June 2021, with a further option to renew.
- b) The Institute has committed to funding research projects over the next five years. The commitments are subject to the availability of funds and may require amendment as a result of the impact to donations from COVID-19 (see note 10). Any funding gap will be deferred into future years upon more certainty of COVID-19 impacts.

	Cancer research programs \$	Program project grants \$	New investigator awards \$	Cancer centre pilots \$	Research training \$	Total supported by the Terry Fox Foundation \$	Supported by other Foundations \$
2021	4,359,312	11,360,363	1,287,080	1,780,813	-	18,787,568	100,000
2022	2,502,867	8,256,493	762,406	1,312,500	-	12,834,266	100,000
2023	1,329,390	4,903,108	308,958	187,500	-	6,728,956	100,000
2024	-	2,436,189	-	-	-	2,436,189	100,000
2025	-	1,900,000	-	-	-	1,900,000	100,000
	8,191,569	28,856,153	2,358,444	3,280,813	-	42,686,979	500,000

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.

Terry Fox Research Institute

Notes to Financial Statements

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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. Due to the uncertainty of COVID-19 impacts, it has heightened the risk exposures from 2020.

10 Subsequent events

In March 2020, the World Health Organization declared a global pandemic related to the coronavirus disease known as COVID-19 (COVID-19). The impacts to the economy are expected to be far reaching. The Canadian not-for-profit sector is expected to be impacted due to the economic environment and related uncertainty, which may cause a potential decrease in contributions and donations, at the Foundation, thus reducing or deferring the research contributions the Foundation can provide to the Institute. The Institute is working very closely with the Foundation and monitoring the COVID-19 impacts. In the short term the research contributions from the Foundation are expected to be reduced and deferred to future years. In the longer term, the Institute and Foundation will continue to monitor the impacts to the Institute's research commitments.