

The Terry Fox Foundation

Financial Statements

March 31, 2019



Independent auditor's report

To the Board of Directors of The Terry Fox Foundation

Our qualified opinion

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of The Terry Fox Foundation (the Foundation) as at March 31, 2019 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 Foundation's financial statements comprise:

- the statement of financial position as at March 31, 2019;
- 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 qualified opinion

In common with many not-for-profit organizations, the Foundation derives revenues from cash donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to annual giving, deficiency of revenue over expenses and cash flows from operating activities for the years ended March 31, 2019 and 2018, current assets as at March 31, 2019 and 2018 and net assets as at the beginning and the end of the years ended March 31, 2019 and 2018. Our audit opinion on the financial statements for the year ended March 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

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 qualified opinion.

PricewaterhouseCoopers LLP
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Independence

We are independent of the Foundation 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.

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

Those charged with governance are responsible for overseeing the Foundation'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 Foundation'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 Foundation'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 Foundation 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

July 25, 2019

The Terry Fox Foundation

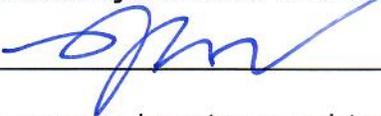
Statement of Financial Position

As at March 31, 2019

	2019 \$	2018 \$
Assets		
Current assets		
Cash and cash equivalents (note 3)	4,200,687	6,748,879
International funds held on behalf of the Foundation	3,987,052	4,014,357
Short-term investments (note 4)	25,112,064	30,968,981
Merchandise inventory	106,537	112,827
Accounts receivable and other assets (note 5)	703,372	202,885
	<u>34,109,712</u>	<u>42,047,929</u>
Long-term investments (note 4)	40,000,000	40,000,000
Capital and intangible assets (note 6)	<u>327,814</u>	<u>277,663</u>
	<u>74,437,526</u>	<u>82,325,592</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	349,241	258,358
Due to the Terry Fox Research Institute	-	63,691
	<u>349,241</u>	<u>322,049</u>
Liability for post-retirement benefits (note 9)	75,340	76,242
Deferred contribution (note 10)	<u>289,121</u>	<u>407,640</u>
	<u>713,702</u>	<u>805,931</u>
Net Assets		
Invested in capital assets	327,814	277,663
Internally restricted (note 11)	40,000,000	40,000,000
Unrestricted	<u>33,396,010</u>	<u>41,241,998</u>
	<u>73,723,824</u>	<u>81,519,661</u>
	<u>74,437,526</u>	<u>82,325,592</u>

Commitments (notes 12 and 13)

Approved by the Board of Directors



Director



Director

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

The Terry Fox Foundation

Statement of Operations

For the year ended March 31, 2019

	2019 \$	2018 \$
Revenue		
Annual giving		
Canada	22,528,765	21,837,674
International	1,462,512	1,143,186
Sale of merchandise	740,325	847,214
Bequests and memoriams	528,597	683,238
Government student grants	44,245	71,191
Royalties	7,692	8,755
	<u>25,312,136</u>	<u>24,591,258</u>
Investment income and gains (note 4)	<u>3,734,027</u>	<u>2,490,099</u>
	<u>29,046,163</u>	<u>27,081,357</u>
Expenses		
Fundraising (note 8)	4,700,013	4,427,170
Administration	1,531,858	1,572,899
Investment management fee	340,532	393,738
Cost of merchandise sold	612,660	659,857
	<u>7,185,063</u>	<u>7,053,664</u>
Excess of revenue over expenses before distribution of funds	<u>21,861,100</u>	<u>20,027,693</u>
Distribution of funds and other charitable activities		
The Terry Fox Research Institute (note 7)	28,334,082	23,136,274
International cancer research organizations	1,322,855	843,474
	<u>29,656,937</u>	<u>23,979,748</u>
Deficiency of revenue over expenses/distributions	<u>(7,795,837)</u>	<u>(3,952,055)</u>

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

The Terry Fox Foundation

Statement of Changes in Net Assets

For the year ended March 31, 2019

	Invested in capital assets \$	Internally restricted \$	Unrestricted \$	Total \$
Balance – March 31, 2018	277,663	40,000,000	41,241,998	81,519,661
Deficiency of revenue over expenses/distributions	(130,859)	-	(7,664,978)	(7,795,837)
Investment in capital assets	181,010	-	(181,010)	-
Balance – March 31, 2019	<u>327,814</u>	<u>40,000,000</u>	<u>33,396,010</u>	<u>73,723,824</u>

	Invested in capital assets \$	Internally restricted \$	Unrestricted \$	Total \$
Balance – March 31, 2017	19,725	40,000,000	45,451,991	85,471,716
Deficiency of revenue over expenses/distributions	(15,248)	-	(3,936,807)	(3,952,055)
Investment in capital assets	273,186	-	(273,186)	-
Balance – March 31, 2018	<u>277,663</u>	<u>40,000,000</u>	<u>41,241,998</u>	<u>81,519,661</u>

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

The Terry Fox Foundation

Statement of Cash Flows

For the year ended March 31, 2019

	2019 \$	2018 \$
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenses/distributions	(7,795,837)	(3,952,055)
Items not affecting cash		
Capital assets – amortization and writeoffs	130,859	15,248
Realized and unrealized gain on investments	(1,444,284)	(334,447)
Liability for post-retirement benefits	(902)	(49,733)
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	(9,110,164)	(4,320,987)
Changes in non-cash operating working capital		
International funds held on behalf of the Foundation	27,305	(114,036)
Merchandise inventory	6,290	45,082
Accounts receivable and other assets	(500,487)	127,614
Accounts payable and accrued liabilities	90,883	110,214
Due to The Terry Fox Research Institute – net	(63,691)	(505,800)
Deferred contribution	(118,519)	(60,000)
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	(9,668,383)	(4,717,913)
Investing activities		
Net sale (purchase) of investments	7,301,201	(2,074,489)
Additions to capital assets	(181,010)	(273,186)
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	7,120,191	(2,347,675)
Decrease in cash and cash equivalents	(2,548,192)	(7,065,588)
Cash and cash equivalents – Beginning of year	6,748,879	13,814,467
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Cash and cash equivalents – End of year	4,200,687	6,748,879
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The accompanying notes are an integral part of these financial statements.

The Terry Fox Foundation

Notes to Financial Statements

March 31, 2019

1 General

The Terry Fox Foundation (the Foundation) was established in 1988 to maintain the vision and principles of Terry Fox while raising money for innovative cancer research in an annual event known as The Terry Fox Run, The Terry Fox School Run, planned giving, and in memoriam gifts. In recent years' the Foundation has approved annual Terry Fox runs in many countries around the world and provides funding for cancer research in those countries.

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

The Foundation was established as a Trust on May 26, 1988. On March 12, 1993, the Trustees of the Trust caused the incorporation of an entity known as The Terry Fox Foundation under the laws of Canada. On March 31, 1994, the Trustees transferred all assets and operations of the Trust to the new corporation and the corporation assumed the liabilities of the Trust.

The Terry Fox Research Institute (TFRI) oversees the Foundation's cancer research programs and works with various other organizations that specialize in managing cancer research projects. TFRI has a separate board and is not considered a controlled entity and, accordingly, is not consolidated in these financial statements.

2 Significant accounting policies

These financial statements have been prepared by management 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 Foundation's significant accounting policies are as follows:

Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are deferred and recognized as revenue in the period in which the related expenses are incurred or the restrictions are met. Unrestricted contributions are recognized as revenue in the current period, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from donations, sale of merchandise, royalties, planned giving and in memoriam gifts received in Canada are recorded in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from donations received outside of Canada and used for cancer research in those countries has been combined in these financial statements. The Foundation approves these international activities.

The Terry Fox Foundation

Notes to Financial Statements

March 31, 2019

Investment income comprises interest and dividends earned on investments. Fair value changes in investments are recognized separately and comprise realized and unrealized gains and losses on investments.

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

Government grants are recorded as revenue in the fiscal year that the grants are designated to support and when collection is reasonably assured.

International funds held on behalf of the Foundation

The mission and vision of Terry Fox transcends beyond Canadian borders as many nations hold events to raise funds in Terry's name to support and promote cancer research in their countries. The Foundation and TFRI collaborate with local charitable organizations and research institutions to identify cancer research projects and programs for funding. International funds held on behalf of the Foundation represent amounts fundraised internationally and are held on behalf of the Foundation by various international organizations and financial institutions.

Distribution of funds

Research distributions to TFRI support cancer research including translational and discovery projects, research centres and training and the operating costs of managing those research programs. The Foundation recognizes a research distribution expense to TFRI when the transfer of funds has been approved for payment.

The Foundation recognizes international research distribution expenses when an approved research recipient has complied with the conditions of the grant or charitable activities and the Foundation has authorized the release of funds to the grant recipient.

Financial instruments

Financial instruments are recorded at fair value on initial recognition and subsequently at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to carry its investments 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.

The Terry Fox Foundation

Notes to Financial Statements

March 31, 2019

Investments

Short-term investments include any term deposits, guaranteed investment certificates, treasury bills, bankers' acceptances, income funds, bonds or equities, with a term to maturity more than 90 days and less than one year. Short-term investments are measured at fair value with subsequent changes to fair value recognized as income in the year.

Long-term investments include any term deposits, guaranteed investment certificates, treasury bills, bankers' acceptances, income funds, bonds or equities, with a term to maturity of more than one year or that are related to internally restricted capital where the board intends to hold them for the long term. Long-term investments are measured at fair value with subsequent changes in fair value recognized as income in the year.

Capital and intangible assets

Capital and intangible assets are stated at cost, less accumulated amortization. Donated equipment is recorded at fair market value when received. Amortization is provided using the straight-line method and following annual rates:

Transportation equipment	5 years
Furniture and equipment	5 years
Computer equipment	3 years
Leasehold improvements	5 years
Software customization	5 years

Donated goods and services

Donated goods and services are recorded at fair value if they would have otherwise been purchased and if fair value can be determined.

Employee future benefit plans

The Foundation participates in a registered pension plan as an Affiliated Organization of the Registered Pension Plan for the Employees of the Canadian Cancer Society and Affiliated Organizations. The plan offers a defined contribution plan and in the past the plan offered a defined benefit plan. As of January 1, 2016, the defined benefit provision of the pension plan was closed and no further defined benefit current service contributions were added. All active members switched to the defined contribution provision of the pension plan.

The defined benefit plan provides pensions based on length of service and final average earnings. Retired employees in the plan are eligible for certain post-retirement benefits. The benefits include medical services, life insurance, and extended health care benefits. The cost of these benefits is actuarially determined using the projected benefit method prorated on service and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

The Terry Fox Foundation

Notes to Financial Statements

March 31, 2019

The Foundation's contributions to the defined benefit pension plan and defined contribution plan are expensed when paid. Defined pension benefits and assets are estimated for all members of the plan. The liabilities for the defined benefit plan are unfunded and are not segregated by the entity and therefore no plan assets are reported.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the prevailing rates of exchange at the statement of financial position date. Revenue and expenses are translated to Canadian dollars at the exchange rates prevailing on the transaction date. Realized and unrealized exchange gains and losses are included in expenses.

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. Significant areas requiring management estimates include accrued liabilities and accrued payroll-related liabilities. Actual results could differ from those estimates.

3 Cash and cash equivalents

At year end, total cash and cash equivalents of \$4,200,687 (2018 – \$6,748,879) were held primarily to fund operations and anticipated disbursements to TFRI.

4 Investments

	2019 \$	2018 \$
Term deposits and GIC's	520,460	513,510
Fixed income fund	41,948,558	45,667,900
Canadian equities fund	8,074,138	8,879,761
Foreign equities fund	14,568,908	15,907,810
Total investments	65,112,064	70,968,981
Short-term investments	25,112,064	30,968,981
Long-term investments	40,000,000	40,000,000

The Terry Fox Foundation

Notes to Financial Statements

March 31, 2019

Investment income and gains comprise the following:

	2019	2018
	\$	\$
Interest and dividends	2,247,900	2,154,222
Change in unrealized gain on investments	1,216,935	207,248
Realized gain on investments	269,192	128,629
	<hr/>	<hr/>
	3,734,027	2,490,099
	<hr/>	<hr/>

5 Accounts receivable and other assets

	2019	2018
	\$	\$
Sales tax receivable	63,479	55,044
Prepaid expenses	412,867	114,614
Accounts receivable and other assets	227,026	33,227
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	703,372	202,885
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6 Capital and intangible assets

	2019		2018	
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Furniture and fixture	63,488	19,410	44,078	-
Computer equipment	95,286	71,700	23,586	19,096
Leasehold improvements	34,355	17,114	17,241	22,274
Software customization	269,899	26,990	242,909	236,293
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	463,028	135,214	327,814	277,663
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Amortization for the year amounted to \$58,749 (2018 – \$15,248) and the software customization writeoff of \$72,110 (2018 – \$nil) is included in fundraising and administration expenses.

The Terry Fox Foundation

Notes to Financial Statements

March 31, 2019

7 Related party transactions

During the year, the Foundation distributed funds of \$28,334,082 (2018 – \$23,136,274) to TFRI. TFRI then distributed \$26,807,962 (2018 – \$21,366,797) of the total funds received to various institutes for cancer research.

Information on the distribution is provided in the audited financial statements of TFRI.

The total amount of funding provided to TFRI since its inception in 2007 has been \$170,461,284 (unaudited).

TFRI is a not-for-profit organization incorporated by letters patent to promote, advance and fund scientific research into the diagnosis, treatment and prevention of cancer. The Foundation provides TFRI with certain administrative functions including finance and payroll, at no charge to TFRI.

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 Fundraising

Included in fundraising expenses is \$2,905,620 (2018 – \$2,865,424) paid as remuneration to employees whose principal duties involve fundraising.

9 Employee future benefit plans

The Foundation participates in a registered pension plan with a defined contribution component and a defined benefit component as disclosed in note 2.

Defined contribution component

The Foundation made employer contributions to the pension plan in the amount of \$144,543 (2018 – \$167,500).

Defined benefit component

Defined benefit obligations are measured using actuarial valuations prepared for accounting purposes, based on the projected benefit method prorated on service (which incorporates estimates of future salary levels, other cost escalation, retirement ages of employees and other actuarial assumptions). The measurement date of the plan assets and defined obligations is January 31. The Foundation participates in the Canadian Cancer Society and Affiliated Organizations defined benefit pension plan. The Plan had an unfunded liability of \$8,258,600 as of January 31, 2019, the date of the last actuarial valuation. The unfunded liability is not allocated to individual employers such as the Foundation, and as such, the share of the liability is not reflected in these financial statements.

The Foundation has 15 employees or retirees eligible under this Plan and made contributions of \$149,508 (2018 – \$138,474).

The Terry Fox Foundation

Notes to Financial Statements

March 31, 2019

Liability for post-retirement benefits

The Foundation participates in a defined benefit post-retirement plan offered by the Canadian Cancer Society to certain employees of the Foundation. The liability as allocated to the Foundation was estimated at \$75,340 (2018 – \$76,242). The following assumptions were used:

	2019 %	2018 %
Discount rate	3.7	3.5
Salary increases	2.5	2.5
Inflation	2.0	2.0

10 Deferred contributions

Deferred contributions represent unspent funds donated to the Foundation that are restricted for specific purposes or future periods operating expenses as well as funds for capital purposes.

Balance – Beginning of year \$	Contributions \$	Amounts recognized as revenue \$	Balance – End of year \$
407,640	134,261	252,780	289,121

11 Internally restricted net assets

Internally restricted net assets consist of the Research Fund, representing funds received from the Province of BC and the Marathon of Hope Legacy Fund. The funds have been internally restricted by the Board of Directors for future use and are as follows:

	2019 \$	2018 \$
Research Fund	30,000,000	30,000,000
Marathon of Hope Legacy Fund	10,000,000	10,000,000
	<u>40,000,000</u>	<u>40,000,000</u>

The Terry Fox Foundation

Notes to Financial Statements

March 31, 2019

12 Commitments

Future minimum rental commitments under operating leases on leased premises are as follows:

	\$
2020	214,438
2021	160,151
2022	32,739
2023	6,361
2024	-
	<hr/>
	413,689
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In addition, a number of the lease commitments for premises and equipment are typically short-term and are subject to annual renewal.

13 Distribution commitments

The Foundation's single mission is to raise funds for cancer research. As such, it seeks advice and management for its cancer research programs from other organizations.

TFRI was established in 2007 to focus on translational cancer research projects and the Foundation committed to provide TFRI funding for its research programs and operations. TFRI is also developing and managing training and new investigator programs on behalf of the Foundation. In October 2009, TFRI was given the responsibility of overseeing all of the Foundation's cancer research programs, working in collaboration with others who also specialize in managing cancer research projects.

Subject to available funds, the Foundation has committed to fund cancer research programs over the next five years as follows:

	International \$	The Terry Fox Research Institute (research) \$	Total \$
2020	1,000,272	20,057,735	21,058,007
2021	251,861	14,497,736	14,749,597
2022	42,014	8,141,949	8,183,963
2023	42,014	4,332,498	4,374,512
2024	-	536,189	536,189
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	1,336,161	47,566,107	48,902,268
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The Terry Fox Foundation

Notes to Financial Statements

March 31, 2019

In addition to the research funding, the Foundation has committed to fund the operations for TFRI for 2020. For the year ended March 31, 2018 the total administrative expenses of TFRI were approximately \$1.5 million. The operations funding commitment is re-evaluated each fiscal year, and funding is approved by the Foundation's Board of Directors.

14 Risk management

a) Interest rate risk

The Foundation's fixed income securities are subject to the risk that the values of the investments will fluctuate due to changes in market interest rates.

b) Market risk and foreign currency risk

The Foundation's foreign equities are subject to the risk that values of the investments will fluctuate due to changes in foreign exchange rates. Returns on the Foundation's investments are subject to risk factors specific to general economic conditions. The market value presents the Foundation's exposure to market/credit risk. The Foundation mitigates this risk by investing in a portfolio that is diversified.

15 Comparative figures

Certain comparative figures have been reclassified to conform with current year financial statement presentation.