
Financial statements of
Cancer Research Society/
Société de recherche sur le cancer

August 31, 2020

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Independent Auditor's Report

To the Members of
Cancer Research Society/Société de recherche sur le cancer

Opinion

We have audited the financial statements of Cancer Research Society/Société de recherche sur le cancer (the "Society"), which comprise the statement of financial position as at August 31, 2020, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at August 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 ("ASNPO").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 ASNPO, 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 GAAS 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 GAAS, 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 Society'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 Society'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 Society 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.

Deloitte LLP

December 16, 2020

¹ CPA auditor, CA, public accountancy permit No. A120628

Cancer Research Society/Société de recherche sur le cancer
Statement of operations
Year ended August 31, 2020

Notes	2020			2019		
	General Fund	Restricted Funds	Total	General Fund	Restricted Funds	Total
	\$	\$	\$	\$	\$	\$
Revenue						
Annual campaigns	20,556,006	—	20,556,006	17,187,401	—	17,187,401
Major and planned gifts	1,851,172	437,942	2,289,114	2,633,920	991,876	3,625,796
Fundraising events and other	888,371	155,594	1,043,965	2,356,880	318,795	2,675,675
Partnerships – contributions to research	—	3,006,278	3,006,278	—	5,688,453	5,688,453
Realized investment income	1,654,757	30,551	1,685,308	2,004,323	24,483	2,028,806
Change in unrealized fair value of investments	498,082	—	498,082	(341,029)	—	(341,029)
Other income	335,602	—	335,602	—	—	—
	25,783,990	3,630,365	29,414,355	23,841,495	7,023,607	30,865,102
Expenses						
Annual campaigns	11,272,333	—	11,272,333	8,879,980	—	8,879,980
Major and planned gifts	406,108	—	406,108	164,540	—	164,540
Fundraising events and other	767,700	127,302	895,002	1,337,458	142,149	1,479,607
Administration	1,499,933	—	1,499,933	1,537,792	—	1,537,792
Amortization of property, equipment and software	67,953	—	67,953	61,294	—	61,294
	14,014,027	127,302	14,141,329	11,981,064	142,149	12,123,213
Excess of revenue over expenses before research grants and fellowships	11,769,963	3,503,063	15,273,026	11,860,431	6,881,458	18,741,889
Research grants and fellowships (including related administrative expenses of \$417,422; \$483,820 in 2019)	6,003,462	6,383,747	12,387,209	6,506,604	8,325,848	14,832,452
Excess (deficiency) of revenue over expenses	5,766,501	(2,880,684)	2,885,817	5,353,827	(1,444,390)	3,909,437

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

Cancer Research Society/Société de recherche sur le cancer
Statement of changes in fund balances
Year ended August 31, 2020

	Invested in property, equipment and software	Endowment	Externally restricted	Internally restricted	Unrestricted	Total
	\$	\$	\$	\$	\$	\$
Fund balances as at August 31, 2018	306,656	121,428	10,043,793	—	24,016,312	34,488,189
Excess (deficiency) of revenue over expenses	(61,294)*	244	(906,005)	(538,629)	5,415,121	3,909,437
Purchase of property, equipment and software	114,935	—	—	—	(114,935)	—
Interfund transfers**	—	—	—	538,629	(538,629)	—
Fund balances as at August 31, 2019	360,297	121,672	9,137,788	—	28,777,869	38,397,626
Excess (deficiency) of revenue over expenses	(67,953)*	100,506	(2,589,767)	(391,423)	5,834,454	2,885,817
Purchase of property, equipment and software	71,135	—	—	—	(71,135)	—
Interfund transfers**	—	—	—	391,423	(391,423)	—
Fund balances as at August 31, 2020	363,479	222,178	6,548,021	—	34,149,765	41,283,443

* Amortization of property, equipment and software.

** The interfund transfers correspond to internal restrictions made during the year.

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

Cancer Research Society/Société de recherche sur le cancer

Statement of financial position

As at August 31, 2020

		2020			2019	
Notes		General Fund	Restricted Funds	Total	Total	
		\$	\$	\$	\$	
Assets						
Current assets						
		Cash	4,899,166	—	4,899,166	2,930,583
		Accounts receivable	42,984	—	42,984	259,411
		Subsidy receivable	335,602	—	335,602	—
		Amounts due by the General Fund	—	6,785,379*	—	—
		Prepaid expenses	278,150	—	278,150	165,881
		Other assets	95,867	—	95,867	91,251
			5,651,769	6,785,379	5,651,769	3,447,126
		Investments	36,619,440	—	36,619,440	35,573,875
		Property, equipment and software	363,479	—	363,479	360,297
			42,634,688	6,785,379	42,634,688	39,381,298
Liabilities						
Current liabilities						
		Accounts payable and accrued liabilities	278,330	—	278,330	304,119
		Amounts due to the Restricted Funds	6,785,379*	—	—	—
		Deferred contributions	933,736	15,180	948,916	539,203
			7,997,445	15,180	1,227,246	843,322
		Lease inducement	123,999	—	123,999	140,350
			8,121,444	15,180	1,351,245	983,672
		Commitments				
Fund balances						
		Invested in property, equipment and software	363,479	—	363,479	360,297
		Endowment	—	222,178	222,178	121,672
		Externally restricted	—	6,548,021	6,548,021	9,137,788
		Unrestricted	34,149,765	—	34,149,765	28,777,869
			34,513,244	6,770,199	41,283,443	38,397,626
			42,634,688	6,785,379	42,634,688	39,381,298

* These items are not presented in the total column because they offset each other.

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

Approved by the Board

François Painchaud _____, Director

Marie Valcourt _____, Director

Cancer Research Society/Société de recherche sur le cancer**Statement of cash flows**

Year ended August 31, 2020

	2020	2019
	\$	\$
Operating activities		
Excess of revenue over expenses	2,885,817	3,909,437
Adjustments for:		
Gain on disposal of investments	(973,414)	(962,376)
Change in unrealized fair value of investments	(498,082)	341,029
Donations in investments	(129,072)	(447,870)
Amortization of property, equipment and software	67,953	61,294
Amortization of lease inducement	(16,351)	(16,352)
	1,336,851	2,885,162
Changes in non-cash operating working capital items		
(Increase) decrease in:		
Accounts receivable	216,427	(82,622)
Subsidy receivable	(335,602)	—
Prepaid expenses	(112,269)	19,180
Other assets	(4,616)	(15,523)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(25,789)	(64,176)
Deferred contributions	409,713	(139,224)
	147,864	(282,365)
	1,484,715	2,602,797
Investing activities		
Purchase of investments	(13,334,964)	(17,642,306)
Proceeds on disposal of investments	13,889,967	14,954,275
Purchase of property, equipment and software	(71,135)	(114,935)
	483,868	(2,802,966)
Net increase (decrease) in cash	1,968,583	(200,169)
Cash, beginning of year	2,930,583	3,130,752
Cash, end of year	4,899,166	2,930,583

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

1. Status and nature of activities

Cancer Research Society/Société de recherche sur le cancer (the "Society") was incorporated under Part III of the *Business Corporations Act* (Québec) and is a registered charity under the *Income Tax Act* (Canada). Its operations consist of raising and distributing funds in the form of research grants and fellowships in order to support research.

2. Accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Adoption of amendments to Section 4433

The Society adopted the amendments to Section 4433, "Tangible capital assets held by not-for-profit organizations," for the fiscal year beginning September 1, 2019. In accordance with the transitional provisions, the Society shall apply these amendments prospectively. The amendments relate to the componentization requirements for capital assets consisting of significant separate components and to the consideration of partial impairment for tangible and intangible capital assets. The adoption of these amendments had no impact on the disclosures or amounts recorded in the financial statements of the Society during the period.

Fund accounting

The Society uses the restricted fund accounting method to report its activities.

(a) General Fund

This fund reports the assets, liabilities, revenues and expenses related to all programs and administrative activities of the Society, except for those related to the externally or internally Restricted Funds.

(b) Restricted Funds

These funds report the assets, liabilities, revenues and expenses related to the externally or internally Restricted Funds. These funds finance research for the advancement of science aimed at preventing, detecting or treating any given cancer as directed by and agreed with the donor or partner.

Revenue recognition

The unrestricted contributions are recognized as revenue in the General Fund in the year in which they are received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. The restricted contributions for operating activities are recognized as revenue in the General Fund in the year when the related expenses are committed.

All other restricted contributions are recognized as revenue in the Restricted Funds in the year in which they are received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized as revenue in the year in which it is earned.

Donated services

The Society derives significant benefit from time and services donated by volunteers. Because of the difficulty of determining their fair value, these valuable contributions are not recorded in the financial statements.

2. Accounting policies

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Society becomes a party to the contractual provisions of the financial instrument.

Subsequently, all financial instruments are measured at amortized cost, except for the investments, which are measured at fair value at the statement of financial position date. Fair value fluctuations, including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses, are included as revenue in the statement of operations.

Transaction costs related to financial instruments measured at fair value subsequent to initial recognition are expensed as incurred. Transaction costs related to other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statement of operations as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Society recognizes in the statement of operations an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in the statement of operations in the period the reversal occurs.

Property, equipment and software

Property, equipment and software are recorded at cost. Contributed equipment is recorded at fair value at the date of contribution. Amortization of property, equipment and software is based on their estimated useful life using the declining balance method at an annual rate of 20%.

Leasehold improvements are recorded at cost. Amortization is provided for using the straight-line method over the remaining duration of the lease, as soon as the leasehold improvements are in use.

When conditions indicate that a capital asset is impaired, the net carrying amount of the capital asset shall be written down to the asset's fair value or replacement cost. The write-downs of capital assets shall be accounted for as expenses in the statement of operations. A write-down shall not be reversed.

Lease inducement

The lease inducement consists of a leasehold improvement allowance paid by the landlord. The inducement will be amortized against premises expenses using the straight-line method over the remaining duration of the lease.

Allocation of expenses

The Society engages in various fundraising programs. The costs of each program include the costs of personnel and activities that are directly related to the program, and a portion of the premises and administrative expenses of the Society.

Administrative salary expenses are allocated to programs based on the percentage of time devoted to these programs by administrative personnel. Premises expenses are allocated to programs based on the percentage of time devoted to these programs by all personnel.

2. Accounting policies (continued)

Foreign exchange translation

Monetary assets and liabilities denominated in foreign currencies are translated at the year-end exchange rate, while non-monetary items are translated at historical rates. Foreign currency revenue and expenses are translated at the rate of exchange prevailing at the transaction date. Realized gains and losses on translation are included in the statement of operations.

Use of estimates

The preparation of financial statements, in conformity with Canadian accounting standards for not-for-profit organizations, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the statement of financial position and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

3. Investments

	2020	2019
	\$	\$
International equity fund		
Denominated in American dollars	5,189,476	5,046,163
Equities		
Denominated in Canadian dollars	7,116,382	7,486,121
Denominated in American dollars	9,056,593	8,435,275
Bonds		
Denominated in Canadian dollars, face value of \$13,328,047 (\$12,574,000 in 2019), interest rates ranging from 0.95% to 6.47% (1.00% to 6.47% in 2019), maturing from September 2020 to May 2077 (November 2019 to December 2051 in 2019)	14,234,754	13,640,233
Cash and cash equivalents		
Denominated in Canadian dollars	747,173	771,548
Denominated in American dollars	183,837	102,742
Accrued interest	91,225	91,793
	36,619,440	35,573,875

Cancer Research Society/Société de recherche sur le cancer**Notes to the financial statements**

August 31, 2020

4. Property, equipment and software

	2020			2019
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture	127,586	54,547	73,039	75,584
Computers	265,817	175,190	90,627	96,640
Software and website	219,458	187,591	31,867	30,903
Leasehold improvements	207,414	39,468	167,946	157,170
	820,275	456,796	363,479	360,297

5. Deferred contributions

	2020	2019
	\$	\$
Balance, beginning of year	539,203	678,427
Amounts received during the year	842,705	1,691,293
Amounts recognized as revenue during the year	(432,992)	(1,830,517)
Balance, end of year	948,916	539,203

The deferred contributions are composed of cashed amounts in fundraising for activities to occur during the following fiscal years.

6. Realized investment income

Realized investment income consists of the following items:

	2020	2019
	\$	\$
Interest	347,966	321,269
Dividends	519,563	887,582
Gain on disposal of investments	973,414	962,376
	1,840,943	2,171,227
Less: investment management and custody fees	(155,635)	(142,421)
	1,685,308	2,028,806

7. Credit facility

The Society has available a credit card facility of \$75,000 (\$65,000 in 2019). An amount of \$6,000 has been used as at August 31, 2020 (no amount as at August 31, 2019).

Cancer Research Society/Société de recherche sur le cancer

Notes to the financial statements

August 31, 2020

8. Allocation of expenses

Salaries and benefits are allocated as follows:

	2020	2019
	\$	\$
Annual campaigns	611,964	557,226
Major and planned gifts	128,406	118,795
Fundraising events and other	509,192	518,839
Research grants and fellowships	369,603	369,509
Administration	646,242	584,522
	2,265,407	2,148,891

Premises expenses are allocated as follows:

	2020	2019
	\$	\$
Annual campaigns	93,805	93,154
Major and planned gifts	10,874	12,610
Fundraising events and other	67,080	63,458
Research grants and fellowships	30,630	32,543
Administration	58,474	58,577
	260,863	260,342

9. Commitments

(a) Fund balances – research grant and fellowship commitments

The Society has approved commitments for research grants and fellowships as set out below. Many of these awards involve multi-year programs, which are subject to application for renewal on an annual basis. Though failure to renew the grants and fellowships would in most cases invalidate the programs, there is an implied commitment extending into the future. The amounts below assume annual renewal of approved multi-year programs:

	\$
2021	12,558,510
2022	7,683,766
2023	1,565,000
2024	75,000
2025	20,000
	<u>21,902,276</u>
Less: pledge by third parties	<u>(2,653,453)</u>
	<u>19,248,823</u>

Cancer Research Society/Société de recherche sur le cancer

Notes to the financial statements

August 31, 2020

9. Commitments (continued)

(b) The Society's other total annual minimum commitments are as follows:

	Premises	Equipment and other	Total
	\$	\$	\$
2021	268,715	19,246	287,961
2022	277,906	19,246	297,152
2023	281,248	8,817	290,065
2024	285,927	1,631	287,558
2025	285,927	—	285,927
2026 and thereafter	738,643	—	738,643
	<u>2,138,366</u>	<u>48,940</u>	<u>2,187,306</u>

10. Financial instruments

Because of its financial assets, the Society is exposed to the following risks related to the use of financial instruments:

Market risk

Market risk is the risk that investments are exposed to and caused by changes in interest rates, exchange rates, stock exchange indicators and the level of volatility of these rates and indicators.

Currency risk

The Society holds cash in the amount of CAN\$32,961 (CAN\$45,946 in 2019), in American dollars, as well as money market funds and American equity also in American dollars. Consequently, the Society is exposed to changes in foreign currencies. The same applies to the earned income associated with these investments.

Interest rate risk

Investments in bonds bear interest at fixed rates. Consequently, a change in market interest rates will have an impact on the fair value of these investments.

Credit risk

The Society holds cash and investments in bonds. Therefore, there is a credit risk that the bond issuer will be unable to pay its obligations toward the Society and this will have an impact on the assets of the Society. In order to minimize the counterparty default risk, the Society trades its cash through a Canadian chartered bank as defined by the *Bank Act* (Canada), while, for bonds, the Society requires a minimum quality rating of A.