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

August 31, 2017

Independent Auditor's Report	1
Statement of operations.....	2
Statement of changes in fund balances	3
Statement of financial position	4
Statement of cash flows	5
Notes to the financial statements	6-11

Independent Auditor's Report

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

We have audited the accompanying financial statements of Cancer Research Society/Société de recherche sur le cancer, which comprise the statement of financial position as at August 31, 2017, and the statements of operations, changes in fund balances and cash flows for the year then ended, and 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Cancer Research Society/Société de recherche sur le cancer as at August 31, 2017, and the results of its activities and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP¹

November 27, 2017

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, 2017

	2017			2016		
	General Fund	Restricted Funds	Total	General Fund	Restricted Funds	Total
	\$	\$	\$	\$	\$	\$
Revenue						
Annual campaigns	12,335,983	—	12,335,983	10,943,763	—	10,943,763
Major and planned gifts	1,866,279	321,480	2,187,759	1,561,023	444,259	2,005,282
Fundraising projects and partnerships – contributions to research	1,950,991	2,932,452	4,883,443	1,860,391	4,686,071	6,546,462
Realized investment income	944,844	79,345	1,024,189	1,858,068	6,560	1,864,628
Change in unrealized fair value on investments	34,098	—	34,098	(51,651)	—	(51,651)
	17,132,195	3,333,277	20,465,472	16,171,594	5,136,890	21,308,484
Expenses						
Annual campaigns	5,814,306	—	5,814,306	4,895,826	—	4,895,826
Major and planned gifts	275,915	—	275,915	372,375	1,777	374,152
Fundraising projects and partnerships	959,267	8,042	967,309	952,183	5,956	958,139
Administration	1,694,731	—	1,694,731	1,384,520	—	1,384,520
Amortization of property, equipment and software	41,138	—	41,138	48,804	—	48,804
	8,785,357	8,042	8,793,399	7,653,708	7,733	7,661,441
Excess of revenue over expenses before research grants and fellowships	8,346,838	3,325,235	11,672,073	8,517,886	5,129,157	13,647,043
Research grants and fellowships (including related administrative expenses of \$377,954; \$299,305 in 2016)	5,964,738	5,743,069	11,707,807	6,379,894	7,740,957	14,120,851
(Deficiency) excess of revenue over expenses	2,382,100	(2,417,834)	(35,734)	2,137,992	(2,611,800)	(473,808)

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, 2017

	Invested in property, equipment and software	Endowment	Externally restricted	Internally restricted	Unrestricted	Total
	\$	\$	\$	\$	\$	\$
Fund balances as at August 31, 2015	232,178	114,720	3,688,024	122,598	26,937,584	31,095,104
(Deficiency) excess of revenue over expenses	(48,804)*	1,160	247,910	(2,860,870)	2,186,796	(473,808)
Purchase of property, equipment and software	2,049	—	—	—	(2,049)	—
Interfund transfers**	—	—	—	2,917,438	(2,917,438)	—
Fund balances as at August 31, 2016	185,423	115,880	3,935,934	179,166	26,204,893	30,621,296
(Deficiency) excess of revenue over expenses	(41,138)*	2,964	356,696	(2,777,494)	2,423,238	(35,734)
Purchase of property, equipment and software	42,800	—	—	—	(42,800)	—
Interfund transfers**	—	—	—	2,831,796	(2,831,796)	—
Fund balances as at August 31, 2017	187,085	118,844	4,292,630	233,468	25,753,535	30,585,562

* 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, 2017

		2017			2016	
Notes		General Fund	Restricted Funds	Total	Total	
		\$	\$	\$	\$	
Assets						
Current assets						
		Cash	2,985,418	—	2,985,418	3,847,097
		Accounts receivable	105,754	—	105,754	85,865
		Amounts due by the General Fund	—	4,704,942 *	—	—
		Prepaid expenses	234,457	—	234,457	239,096
		Other assets	49,571	—	49,571	40,108
			3,375,200	4,704,942	3,375,200	4,212,166
	3	Investments	28,341,038	—	28,341,038	27,451,159
	4	Property, equipment and software	187,085	—	187,085	185,423
			31,903,323	4,704,942	31,903,323	31,848,748
Liabilities						
Current liabilities						
		Accounts payable and accrued liabilities	499,783	—	499,783	536,224
		Amounts due to the Restricted Funds	4,704,942 *	—	—	—
	5	Deferred contributions	757,978	60,000	817,978	691,228
			5,962,703	60,000	1,317,761	1,227,452
	9	Commitments				
Fund balances						
		Invested in property, equipment and software	187,085	—	187,085	185,423
		Endowment	—	118,844	118,844	115,880
		Externally restricted	—	4,292,630	4,292,630	3,935,934
		Internally restricted	—	233,468	233,468	179,166
		Unrestricted	25,753,535	—	25,753,535	26,204,893
			25,940,620	4,644,942	30,585,562	30,621,296
			31,903,323	4,704,942	31,903,323	31,848,748

* 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

Martin Thibodeau, Director

Katia Marquier, Director

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

Year ended August 31, 2017

	2017	2016
	\$	\$
Operating activities		
Deficiency of revenue over expenses	(35,734)	(473,808)
Adjustments for:		
Gain on disposal of investments	(331,387)	(1,013,734)
Change in unrealized fair value on investments	(34,098)	51,651
Donations in investments	(172,849)	(364,857)
Amortization of property, equipment and software	41,138	48,804
	(532,930)	(1,751,944)
Changes in non-cash operating working capital items		
(Increase) decrease in:		
Accounts receivable	(19,889)	52,424
Prepaid expenses	4,639	18,143
Other assets	(9,463)	(2,293)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(36,441)	(27,381)
Deferred contributions	126,750	(28,862)
	65,596	12,031
	(467,334)	(1,739,913)
Investing activities		
Purchase of investments	(8,831,705)	(6,283,004)
Proceed on disposal of investments	8,480,160	6,803,398
Purchase of property, equipment and software	(42,800)	(2,049)
	(394,345)	518,345
Net decrease in cash during the year	(861,679)	(1,221,568)
Cash, beginning of year	3,847,097	5,068,665
Cash, end of year	2,985,418	3,847,097

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

1. Status and nature of activities

The 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:

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 where the related expenses are committed.

All other restricted contributions are recognized as revenue in 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 values, these valuable contributions are not recorded in the financial statements.

2. Accounting policies (continued)

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 the 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 expenses.

With respect to financial assets measured at 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 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 other expenses that are directly related to providing the program, as well as a portion of the administrative salaries expenses of the Society.

Administrative salary expenses allocated to programs are based on the percentage of time spent on those programs.

Foreign exchange translation

Monetary assets and liabilities denominated in foreign currencies are translated at year-end exchange rates, 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.

Cancer Research Society/Société de recherche sur le cancer

Notes to the financial statements

August 31, 2017

3. Investments

	2017	2016
	\$	\$
International Equity Fund		
Denominated in American dollars	4,583,460	4,073,803
Equities		
Denominated in Canadian dollars	5,855,390	5,364,148
Denominated in American dollars	6,629,525	6,658,756
Bonds		
Denominated in Canadian dollars, face value of \$9,912,000 (\$8,654,000 in 2016), interest rates ranging from 1.00% to 6.50% (0.75% to 9.98% in 2016), maturing from October 2018 to May 2077 (September 2016 to June 2108 in 2016)	10,244,604	9,578,765
Cash and equivalents		
Denominated in Canadian dollars	429,128	768,144
Denominated in American dollars	520,158	923,535
Accrued interest	78,773	84,008
	28,341,038	27,451,159

4. Property, equipment and software

	2017			2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture	251,190	230,050	21,140	26,426
Computers	240,799	159,497	81,302	65,433
Software and website	389,023	306,511	82,512	87,780
Leasehold improvements	28,859	26,728	2,131	5,784
	909,871	722,786	187,085	185,423

Cancer Research Society/Société de recherche sur le cancer

Notes to the financial statements

August 31, 2017

5. Deferred contributions

	2017	2016
	\$	\$
Balance, beginning of year	691,228	720,090
Amounts received during the year	857,391	682,719
Amounts recognized as revenue during the year	(730,641)	(711,581)
Balance, end of year	817,978	691,228

The deferred contributions are comprised of \$757,978 of cashed amounts in fundraising for activities to occur during the following fiscal years, and \$60,000 received from a third party to be spent in the next fiscal year on a specific restricted fund-related research project.

6. Realized investment income

Realized investment income consists of the following items:

	2017	2016
	\$	\$
Interest	288,314	322,187
Dividends	537,417	658,275
Gain on disposal of investments	331,387	1,013,734
	1,157,118	1,994,196
Less: Investment management and custody fees	(132,929)	(129,568)
	1,024,189	1,864,628

7. Credit facility

The Society has available a credit card facility of \$50,000. This facility is to be renewed on February 28, 2018. As at August 31, 2017 and August 31, 2016, no amount has been drawn on this facility.

8. Allocation of expenses

Salaries and benefits of support functions are allocated as follows:

	2017	2016
	\$	\$
Annual campaigns	121,228	116,821
Major and planned gifts	111,556	90,394
Fundraising projects and partnerships	141,574	125,755
Research grants and fellowships	87,193	69,896
	461,551	402,866

Cancer Research Society/Société de recherche sur le cancer

Notes to the financial statements

August 31, 2017

9. Commitments

(a) Fund balances – research grants 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:

	\$
2018	12,982,780
2019	6,400,821
2020	1,486,674
2021	236,947
	<u>21,107,222</u>
Less: pledge by third parties	<u>(4,460,659)</u>
	<u>16,646,563</u>

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

	Premises	Equipment and other	Total
	\$	\$	\$
2018	242,612	16,663	259,275
2019	246,121	16,816	262,937
2020	246,121	16,816	262,937
2021	246,121	16,816	262,937
2022	268,496	16,968	285,464
2023 and thereafter	1,539,206	6,580	1,545,786
	<u>2,788,677</u>	<u>90,659</u>	<u>2,879,336</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, caused by changes in interest rates, exchange rates, stock exchange indicators and the level of volatility of these rates and indicators.

Foreign currency risk

The Society holds cash in the amount of CAN\$130,867 (CAN\$865,458 in 2016), in American dollars, as well as money market funds in American dollars and American equity. Consequently, the Society is exposed to changes in foreign currencies. The same applies to the earned income associated with these investments.

10. Financial instruments (continued)

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 towards the Society and this will have an impact on the assets of the Society. In order to minimize the counterpart default risk, the Society trades its cash through a Canadian chartered bank in Schedule 1 as defined by the *Bank Act* of Canada, while for corporate bonds, the Society requires a minimum quality rating of A.

11. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.