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

August 31, 2018

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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, 2018, 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, 2018, 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

December 12, 2018

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, 2018

	2018			2017		
	General Fund	Restricted Funds	Total	General Fund	Restricted Funds	Total
Notes	\$	\$	\$	\$	\$	\$
Revenue						
Annual campaigns	15,315,013	—	15,315,013	12,335,983	—	12,335,983
Major and planned gifts	1,364,477	2,414,520	3,778,997	1,866,279	321,480	2,187,759
Fundraising events and other	2,147,873	262,825	2,410,698	1,950,991	187,579	2,138,570
Partnerships – contributions to research	—	7,190,373	7,190,373	—	2,744,873	2,744,873
Realized investment income	1,384,969	34,055	1,419,024	944,844	79,345	1,024,189
Change in unrealized fair value on investments	1,072,407	—	1,072,407	34,098	—	34,098
	21,284,739	9,901,773	31,186,512	17,132,195	3,333,277	20,465,472
Expenses						
Annual campaigns	8,034,011	—	8,034,011	5,902,344	—	5,902,344
Major and planned gifts	170,180	—	170,180	295,968	—	295,968
Fundraising events and other	1,122,622	22,876	1,145,498	1,031,165	8,042	1,039,207
Administration	1,346,962	—	1,346,962	1,478,549	—	1,478,549
Amortization of property, equipment and software	84,525	—	84,525	41,138	—	41,138
	10,758,300	22,876	10,781,176	8,749,164	8,042	8,757,206
Excess of revenue over expenses before research grants and fellowships	10,526,439	9,878,897	20,405,336	8,383,031	3,325,235	11,708,266
Research grants and fellowships (including related administrative expenses of \$537,878; \$414,147 in 2017)	5,832,503	10,670,206	16,502,709	6,000,931	5,743,069	11,744,000
Excess (deficiency) of revenue over expenses	4,693,936	(791,309)	3,902,627	2,382,100	(2,417,834)	(35,734)

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, 2018

	Invested in property, equipment and software	Endowment	Externally restricted	Internally restricted	Unrestricted	Total
	\$	\$	\$	\$	\$	\$
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
Excess (deficiency) of revenue over expenses	(84,525)*	2,584	5,751,163	(6,545,056)	4,778,461	3,902,627
Purchase of property, equipment and software	204,096	—	—	—	(204,096)	—
Interfund transfers**	—	—	—	6,311,588	(6,311,588)	—
Fund balances as at August 31, 2018	306,656	121,428	10,043,793	—	24,016,312	34,488,189

* 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, 2018

		2018			2017	
		General Fund	Restricted Funds	Total	Total	
Notes		\$	\$	\$	\$	
Assets						
Current assets						
		Cash	3,130,752	—	3,130,752	2,985,418
		Accounts receivable	176,789	—	176,789	105,754
		Amounts due by the General Fund	—	10,165,221*	—	—
		Prepaid expenses	185,061	—	185,061	196,790
		Other assets	75,728	—	75,728	87,238
			3,568,330	10,165,221	3,568,330	3,375,200
		Investments	31,816,627	—	31,816,627	28,341,038
		Property, equipment and software	306,656	—	306,656	187,085
			35,691,613	10,165,221	35,691,613	31,903,323
Liabilities						
Current liabilities						
		Accounts payable and accrued liabilities	368,295	—	368,295	499,783
		Amounts due to the Restricted Funds	10,165,221*	—	—	—
		Deferred contributions	678,427	—	678,427	817,978
			11,211,943	—	1,046,722	1,317,761
		Lease inducement	156,702	—	156,702	—
			11,368,645	—	1,203,424	1,317,761
		Commitments				
Fund balances						
		Invested in property, equipment and software	306,656	—	306,656	187,085
		Endowment	—	121,428	121,428	118,844
		Externally restricted	—	10,043,793	10,043,793	4,292,630
		Internally restricted	—	—	—	233,468
		Unrestricted	24,016,312	—	24,016,312	25,753,535
			24,322,968	10,165,221	34,488,189	30,585,562
			35,691,613	10,165,221	35,691,613	31,903,323

* 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, 2018

	2018	2017
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses	3,902,627	(35,734)
Adjustments for:		
Gain on disposal of investments	(619,957)	(331,387)
Change in unrealized fair value on investments	(1,072,407)	(34,098)
Donations in investments	(1,469,465)	(172,849)
Amortization of property, equipment and software	84,525	41,138
	825,323	(532,930)
Changes in non-cash operating working capital items		
(Increase) decrease in:		
Accounts receivable	(71,035)	(19,889)
Prepaid expenses	11,729	12,719
Other assets	11,510	(17,543)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(131,488)	(36,441)
Deferred contributions	(139,551)	126,750
	(318,835)	65,596
	506,488	(467,334)
Investing activities		
Purchase of investments	(7,975,286)	(8,831,705)
Proceeds on disposal of investments	7,661,526	8,480,160
Purchase of property, equipment and software	(47,394)	(42,800)
	(361,154)	(394,345)
Net increase (decrease) in cash during the year	145,334	(861,679)
Cash, beginning of year	2,985,418	3,847,097
Cash, end of year	3,130,752	2,985,418

Non-cash transaction

During the year, property, equipment and software were acquired at an amount of \$204,096, of which \$156,702 were financed by a lease inducement.

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

Cancer Research Society/Société de recherche sur le cancer

Notes to the financial statements

August 31, 2018

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:

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 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 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 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 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.

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.

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.

Cancer Research Society/Société de recherche sur le cancer

Notes to the financial statements

August 31, 2018

2. Accounting policies (continued)

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

	2018	2017
	\$	\$
International Equity Fund		
Denominated in American dollars	4,739,262	4,583,460
Equities		
Denominated in Canadian dollars	6,680,011	5,855,390
Denominated in American dollars	7,832,959	6,629,525
Bonds		
Denominated in Canadian dollars, face value of \$11,070,000 (\$9,912,000 in 2017), interest rates ranging from 1.0% to 6.5% (1.0% to 6.5% in 2017), maturing from September 2018 to May 2077 (October 2018 to May 2077 in 2017)	11,247,623	10,244,604
Cash and cash equivalents		
Denominated in Canadian dollars	603,529	429,128
Denominated in American dollars	625,037	520,158
Accrued interest	88,206	78,773
	31,816,627	28,341,038

4. Property, equipment and software

	2018			2017
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture	136,716	122,723	13,993	21,140
Computers	225,169	146,616	78,553	81,302
Software and website	210,558	171,929	38,629	82,512
Leasehold improvements	175,481	—	175,481	2,131
	747,924	441,268	306,656	187,085

Cancer Research Society/Société de recherche sur le cancer

Notes to the financial statements

August 31, 2018

5. Deferred contributions

	2018	2017
	\$	\$
Balance, beginning or year	817,978	691,228
Amounts received during the year	1,379,563	857,391
Amounts recognized as revenue during the year	(1,519,114)	(730,641)
Balance, end of year	678,427	817,978

The deferred contributions are comprised of \$678,427 (\$757,978 in 2017) of cashed amounts in fundraising for activities to occur during the following fiscal years, and nil (\$60,000 in 2017) 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:

	2018	2017
	\$	\$
Interests	296,680	288,314
Dividends	641,445	537,417
Gain on disposal of investments	619,957	331,387
	1,558,082	1,157,118
Less: investment management and custody fees	(139,058)	(132,929)
	1,419,024	1,024,189

7. Credit facility

The Society has available a credit card facility of \$50,000. This facility is to be renewed on February 28, 2019. As at August 31, 2018 and August 31, 2017, no amount has been drawn on this facility.

8. Allocation of expenses

Salaries and benefits are allocated as follows:

	2018	2017
	\$	\$
Annual campaigns	488,147	379,440
Major and planned gifts	99,513	144,502
Fundraising events and other	441,483	410,934
Research grants and fellowships	403,053	287,634
Administration	608,995	757,700
	2,041,191	1,980,210

Cancer Research Society/Société de recherche sur le cancer

Notes to the financial statements

August 31, 2018

8. Allocation of expenses (continued)

Premises expenses are allocated as follows:

	2018	2017
	\$	\$
Annual campaigns	86,297	88,038
Major and planned gifts	19,657	20,053
Fundraising events and other	70,476	71,898
Research grants and fellowships	35,478	36,193
Administration	60,888	62,116
	272,796	278,298

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:

	\$
2019	15,908,705
2020	10,255,773
2021	1,778,913
	<u>27,943,391</u>
Less: pledge by third parties	<u>(11,312,319)</u>
	<u>16,631,072</u>

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

	Premises	Equipment and other	Total
	\$	\$	\$
2019	264,857	17,288	282,145
2020	264,857	17,288	282,145
2021	264,857	17,288	282,145
2022	274,047	17,288	291,335
2023	277,389	6,859	284,248
2024 and thereafter	1,292,812	—	1,292,812
	<u>2,638,819</u>	<u>76,011</u>	<u>2,714,830</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\$1,631,975 (CAN\$130,867 in 2017), 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.

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 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.