

The Terry Fox Foundation

Financial Statements
March 31, 2017



August 17, 2017

Independent Auditor's Report

To the Board of Directors of The Terry Fox Foundation

We have audited the accompanying financial statements of The Terry Fox Foundation, which comprise the statement of financial position as at March 31, 2017 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise 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 qualified audit opinion.

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



Basis for qualified opinion

In common with many not-for-profit organizations, The Terry Fox Foundation derives revenues from 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 Terry Fox Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to annual giving, excess (deficiency) of revenues over expenses and cash flows from operating activities for the years ended March 31, 2017 and 2016, current assets as at March 31, 2017 and 2016 and net assets as at the beginning and the end of the years ended March 31, 2017 and 2016. Our audit opinion on the financial statements for the year ended March 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Terry Fox Foundation as at March 31, 2017 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

The Terry Fox Foundation

Statement of Financial Position

As at March 31, 2017

	2017 \$	2016 \$
Assets		
Current assets		
Cash and cash equivalents (note 4)	13,814,467	18,246,820
International funds held on behalf of the Foundation	3,900,319	4,033,146
Short-term investments (note 5)	28,560,046	23,401,292
Merchandise inventory	157,910	122,728
Other assets (note 6)	330,499	350,767
	<u>46,763,241</u>	<u>46,154,753</u>
Long-term investments (note 5)	40,000,000	40,000,000
Capital assets (note 7)	<u>19,725</u>	<u>18,453</u>
	<u>86,782,966</u>	<u>86,173,206</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	148,144	173,141
Due to the Terry Fox Research Institute	<u>569,491</u>	<u>20,965</u>
	717,635	194,106
Liability for post-retirement benefits (note 10)	125,975	585,000
Deferred contribution (note 11)	<u>467,640</u>	<u>-</u>
	<u>1,311,250</u>	<u>779,106</u>
Net assets		
Invested in capital assets	19,725	18,453
Internally restricted (note 12)	40,000,000	40,000,000
Unrestricted	<u>45,451,991</u>	<u>45,375,647</u>
	<u>85,471,716</u>	<u>85,394,100</u>
	<u>86,782,966</u>	<u>86,173,206</u>
Commitments (notes 12, 13 and 14)		

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, 2017

	2017 \$	2016 \$
Revenue		
Annual giving		
Canada	21,595,936	20,077,050
International	1,242,551	1,352,238
Sale of merchandise	707,398	811,445
Bequests and memoriams	315,859	206,656
Government student grants	37,459	29,632
Royalties	9,233	6,307
	<u>23,908,436</u>	<u>22,483,328</u>
Investment income and gains (note 5)	5,665,411	1,360,368
	<u>29,573,847</u>	<u>23,843,696</u>
Expenses		
Fundraising (note 9)	3,443,694	3,270,778
Administration	1,967,210	1,824,042
Cost of merchandise sold	505,270	700,621
	<u>5,916,174</u>	<u>5,795,441</u>
Excess of revenue over expenses before distribution of funds	<u>23,657,673</u>	<u>18,048,255</u>
Distribution of funds		
The Terry Fox Research Institute (note 8)	22,344,235	23,126,582
International cancer research organizations	1,235,822	596,736
	<u>23,580,057</u>	<u>23,723,318</u>
Excess (deficiency) of revenue over expenses/distributions	<u>77,616</u>	<u>(5,675,063)</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, 2017

	Invested in Invested in capital assets \$	Internally restricted \$	Unrestricted \$	Total \$
Balance - March 31, 2016	18,453	40,000,000	45,375,647	85,394,100
Excess (deficiency) of revenue over expenses/distributions	1,272	-	77,616	78,888
Investment in capital assets	-	-	(1,272)	(1,272)
Balance - March 31, 2017	<u>19,725</u>	<u>40,000,000</u>	<u>45,451,991</u>	<u>85,471,716</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, 2017

	2017 \$	2016 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses/distributions	77,616	(5,675,063)
Items not affecting cash		
Amortization	10,682	4,272
Realized and unrealized (gain) loss on investments	(2,533,385)	2,189,968
Liability for post-retirement benefits	(459,025)	(30,000)
	(2,904,112)	(3,510,823)
Changes in non-cash operating working capital		
International funds held on behalf of the Foundation	132,827	(580,627)
Merchandise inventory	(35,182)	(15,495)
Other assets	20,268	(143,487)
Accounts payable and accrued liabilities	(24,997)	17,042
Due to The Terry Fox Research Institute - net	548,526	68,556
Deferred contribution	467,640	-
	(1,795,030)	(4,164,834)
Investing activities		
Net (purchase) sale of investments	(2,625,369)	15,480,746
Additions to capital assets	(11,954)	(13,493)
	(2,637,323)	15,467,253
(Decrease) increase in cash and cash equivalents	(4,432,353)	11,302,419
Cash and cash equivalents - Beginning of year	18,246,820	6,944,401
Cash and cash equivalents - End of year	13,814,467	18,246,820

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

The Terry Fox Foundation

Notes to Financial Statements

March 31, 2017

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 National School Run Day, 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. The TFRI 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 Canada Handbook - Accounting. The Foundation's significant accounting policies are as follows:

Revenue recognition

The Foundation follows the deferred 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 of 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, 2017

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 transcend 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 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, 2017

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 of 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. Long-term investments are measured at fair value with subsequent changes in fair value recognized as income in the year.

Capital assets

Capital 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

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. Some 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, 2017

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 earnings.

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 Comparative figures

Certain comparative figures have been reclassified to conform with the current year presentation. This includes \$40,000,000 of investments that were classified as short-term in the prior year. These have been reclassified and presented as long-term investments to be consistent with the current year presentation.

4 Cash and cash equivalents

At year end, total cash and cash equivalents of \$13,814,467 (2016 - \$18,246,820) were held primarily to fund operations and anticipated disbursements to the Terry Fox Research Institute.

The Terry Fox Foundation

Notes to Financial Statements

March 31, 2017

5 Investments

	2017 \$	2016 \$
Term deposits and GIC's	509,023	504,679
Fixed income fund	44,360,345	32,252,912
Canadian equities fund	11,880,153	13,873,007
Foreign equities fund	11,810,525	16,770,694
	<hr/>	<hr/>
Total investments	68,560,046	63,401,292
Short-term investments	28,560,046	23,401,292
	<hr/>	<hr/>
Long-term investments	40,000,000	40,000,000
	<hr/>	<hr/>

Realized and unrealized gain (loss) on investments comprise the following:

	2017 \$	2016 \$
Interest and dividends	1,699,555	1,726,795
Change in unrealized gain on investments	(6,376,346)	(2,189,968)
Realized gain on investments	10,342,202	1,823,541
	<hr/>	<hr/>
	5,665,411	1,360,368
	<hr/>	<hr/>

During the year, the Foundation consolidated its investment accounts to a new investment manager which resulted in the sale of all investments held by former managers and the realization of investment gains which were previously unrealized.

6 Other assets

	2017 \$	2016 \$
Sales tax receivable	157,062	159,442
Other	173,437	191,325
	<hr/>	<hr/>
	330,499	350,767
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The Terry Fox Foundation

Notes to Financial Statements

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7 Capital assets

			2017	2016
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Transportation equipment	2,080	2,080	-	-
Furniture and equipment	128,474	128,474	-	-
Computer equipment	254,080	234,515	19,565	18,187
Leasehold improvements	9,725	9,565	160	266
	<u>394,359</u>	<u>374,634</u>	<u>19,725</u>	<u>18,453</u>

Amortization for the year amounted to \$10,682 (2016 - \$4,272) and is included in fundraising and administration expenses.

8 Related party transactions

During the year, the Foundation distributed funds of \$22,344,235 (2016 - \$23,126,582) to the TFRI. The TFRI then distributed \$20,710,041 (2016 - \$21,220,121) of the total funds received to various institutes for cancer research.

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

The total amount of funding provided to the TFRI since its inception in 2007 has been \$119,005,872.

The 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 the TFRI with certain administrative functions including finance and payroll, at no charge to the 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.

9 Fundraising

Included in fundraising expenses is \$2,039,740 (2016 - \$2,150,892) paid as remuneration to employees whose principal duties involve fundraising.

The Terry Fox Foundation

Notes to Financial Statements

March 31, 2017

10 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 \$113,614 (2016 - \$224,875).

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.

Pension plan

The Registered Pension Plan for the Employees of the Canadian Cancer Society and Affiliated Organizations had an unfunded liability for the defined benefit plan of \$19,539,200 as of January 31, 2017, the date of the last actuarial valuation. The unfunded liability is not allocated to individual employers such as the Foundation.

Benefit plan

The liability for the defined benefit post-retirement benefits as allocated to the Foundation was estimated at \$125,975 (2016 - \$585,000). During the year, the Canadian Cancer Society revised the terms of eligibility for post-retirement benefits limiting the number of employees who remain eligible for these benefits. As a result, the Foundation's obligation was revalued at year end resulting in a decrease of the liability. The following assumptions were used:

	2017 %	2016 %
Discount rate	3.8	4.1
Salary increases	2.5	3.5
Inflation	2.0	2.0

The Terry Fox Foundation

Notes to Financial Statements

March 31, 2017

11 Deferred contributions

Deferred contributions represent unspent funds bequeathed to the Foundation that are restricted for specific purposes or future periods and may include future periods' operating expenses as well as funds for capital purposes. In 2017 the Foundation received a bequest of \$467,640 from an estate that directs the use of the funds in future years. The deferred contribution will be taken into income in the years the Foundation incurs the related costs.

12 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:

	2017 \$	2016 \$
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>

13 Commitments

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

	\$
2018	187,210
2019	178,145
2020	165,164
2021	77,538
2022	17,472
	<u>625,529</u>

In addition, a number of the lease commitments for premises and equipment are typically short term and are subject to annual renewal.

The Terry Fox Foundation

Notes to Financial Statements

March 31, 2017

14 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.

The TFRI was established in 2007 to focus on translational cancer research projects and the Foundation committed to provide the TFRI funding for its research programs and operations. The TFRI is also developing and managing training and new investigator programs on behalf of the Foundation. In October 2009, the 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 through the above-noted organizations for research programs over the next five years is as follows:

	International \$	The Terry Fox Research Institute (research) \$	Total \$
2018	34,017	22,367,727	22,401,744
2019	22,565	17,743,809	17,766,374
2020	-	9,964,447	9,964,447
2021	-	6,179,347	6,179,347
2022	-	1,670,590	1,670,590
	<u>56,582</u>	<u>57,925,920</u>	<u>57,982,502</u>

In addition to the research funding, the Foundation has committed \$1,757,480 for operations for the TFRI for 2018. The operations funding commitment is re-evaluated each fiscal year, and funding is approved by the Foundation's Board of Directors.

15 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 maximum exposure to market/credit risk. The Foundation mitigates this risk by investing in a portfolio that is diversified.