

Financial Statements of

**THE TERRY FOX  
FOUNDATION**

Year ended March 31, 2015



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## **INDEPENDENT AUDITORS' 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, 2015, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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.

### *Auditors' 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 our 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, we consider 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 in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

### *Basis for Qualified Opinion*

In common with many charitable organizations, the Foundation derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donation revenue, excess or deficiency of revenues over expenditures and assets and net assets.

# THE TERRY FOX FOUNDATION

## Statement of Financial Position

March 31, 2015, with comparative information for 2014

	2015	2014 (Recast note 3)
<b>Assets</b>		
Current assets:		
Cash	\$ 7,917,904	\$ 7,872,054
Investments (note 4)	81,072,006	79,431,257
Merchandise inventory	107,233	138,140
Other assets (note 5)	207,280	256,522
	89,304,423	87,697,973
Equipment (note 6)	9,232	11,342
Due from The Terry Fox Research Institute (note 7)	47,591	24,423
	\$ 89,361,246	\$ 87,733,738


## Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 155,527	\$ 154,161
Due to Terry Fox Centre	572	9,317
	156,099	163,478
Liability for post retirement benefits other than pensions	615,000	485,000
Fund balances:		
Invested in equipment	9,232	11,342
Internally restricted (note 11)	40,000,000	40,000,000
Unrestricted	48,580,915	47,073,918
	88,590,147	87,085,260
Commitments (notes 7, 12 and 13)		
	\$ 89,361,246	\$ 87,733,738

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director



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*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, 2015, and its results of operations, changes in net assets, and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*KPMG LLP*

Chartered Professional Accountants

November 10, 2015

Chilliwack, British Columbia

# THE TERRY FOX FOUNDATION

## Statement of Operations

Year ended March 31, 2015, with comparative information for 2014

	2015	2014 (Recast note 3)
Revenue:		
Annual giving:		
Canada	\$ 20,429,426	\$ 21,995,054
International	2,151,009	1,533,032
Investment income	3,149,829	2,757,951
Unrealized gains on investments	3,345,083	2,502,128
Sale of merchandise	653,094	551,201
Bequests and memoriams	212,160	273,741
Government student grants	37,082	43,999
Royalties	10,672	10,015
	29,988,355	29,667,121
Expenses:		
Fundraising (note 8)	3,031,031	2,919,649
Administration	1,110,726	1,078,626
Cost of merchandise sold	517,529	569,203
Receipting	158,082	211,765
	4,817,368	4,779,243
Excess of revenue over expenses before distribution of funds	25,170,987	24,887,878
Distribution of funds:		
The Terry Fox Research Institute (note 7)	20,946,485	21,792,963
International cancer research organizations	1,749,157	755,917
Canadian Institute of Health Research	970,458	1,611,507
Canadian Cancer Society	-	1,175,934
Excess (deficiency) of revenue over expenses	\$ 1,504,887	\$ (448,443)

See accompanying notes to financial statements.

# THE TERRY FOX FOUNDATION

## Statement of Changes in Net Assets

Year ended March 31, 2015, with comparative information for 2014

	Invested in equipment	Internally restricted	Unrestricted	Total 2015	Total 2014
Balance, beginning of year, as previously stated	\$ 11,342	\$ 40,000,000	\$ 46,465,112	\$ 86,476,454	\$ 87,533,703
Change in accounting policy (note 2)	-	-	(83,334)	(83,334)	-
2014 Recast (note 3)	-	-	692,140	692,140	-
As restated	11,342	40,000,000	47,073,918	87,085,260	87,533,703
Excess (deficiency) of revenue over expenses	(7,523)	-	1,512,410	1,504,887	(448,443)
Investment in equipment	5,413	-	(5,413)	-	-
Net assets, end of year	\$ 9,232	\$ 40,000,000	\$ 48,580,915	\$ 88,590,147	\$ 87,085,260

See accompanying notes to financial statements.

# THE TERRY FOX FOUNDATION

## Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014 (Recast note 3)
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 1,504,887	\$ (448,443)
Items not involving cash:		
Amortization	7,523	12,150
Unrealized gain on investments	(3,345,083)	(2,502,128)
Liability for post retirement benefits other than pensions	130,000	75,000
Changes in non-cash operating working capital:		
Other assets	80,149	53,799
Funds held in trust	-	29,246
Accounts payable and accrued liabilities	1,367	(40,742)
	(1,621,157)	(2,821,118)
Financing:		
Advance to the Terry Fox Centre	(8,745)	(20,109)
Advances from the Terry Fox Research Institute, net	(23,169)	(9,029)
	(31,914)	(29,138)
Investments:		
Net proceeds from sale of investments	1,704,334	4,384,321
Additions to equipment	(5,413)	(7,069)
	1,698,921	4,377,252
Increase in cash	45,850	1,526,996
Cash, beginning of year	7,872,054	6,345,058
Cash, end of year	\$ 7,917,904	\$ 7,872,054

See accompanying notes to financial statements.



# THE TERRY FOX FOUNDATION

Notes to Financial Statements

Year ended March 31, 2015

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## **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 "Run"), The National School Run Day, planned giving and in memoriam gifts.

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 of the 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.

## **1. 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 CPA Canada Handbook - Accounting. The Foundation's significant accounting policies are as follows:

### **(a) Revenue recognition:**

The Foundation follows the deferred method of accounting for donations and government grants.

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 have been combined in these financial statements. The Foundation supports and coordinates these international activities.

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.



# THE TERRY FOX FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## 1. Significant accounting policies (continued):

### (b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded 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.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

### (c) Equipment:

Equipment is 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:

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Asset	Rate
Transportation equipment	5 years
Furniture and equipment	5 years
Computer equipment	3 years
Leasehold improvements	5 years

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# THE TERRY FOX FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## 1. Significant accounting policies (continued):

### (d) Donated items:

Donated items that are capital in nature are recorded in the financial statements as an equal and offsetting revenue and asset item, if the donated items are used in the normal course of operating the Foundation which, if not donated, have to be purchased and the fair value of which can be reasonably estimated.

### (e) Employee future benefit plans:

The Foundation provides certain benefits to retired employees and their spouses. 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. These benefits are not funded.

The Foundation also provides pension benefits and is a member of the Revised Pension Plan for the Employees of the Canadian Cancer Society and Affiliated Organizations. Commencing in fiscal 2008, employees have a choice to enroll in either the defined benefit option or the defined contribution option of the Pension Plan.

The defined benefit plan provides pensions based on length of service and final average earnings. Pension benefits and assets are for all members of the plan and are not segregated by entity, accordingly, the pension plan is accounted for as a defined contribution plan. The Foundation's contributions to the defined benefit pension plan and defined contribution plan are expensed when paid.

# THE TERRY FOX FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## 1. Significant accounting policies (continued):

### (f) Foreign currency translation:

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing rates of exchange at the balance sheet date. Revenue and expenses are translated at the exchange rates prevailing on the transaction date. Realized and unrealized exchange gains and losses are included in earnings.

### (g) 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.

## 2. Change in accounting policy:

Effective April 1, 2014, the Foundation adopted CPA Canada Handbook - Accounting Part III Section 3463, Employee Future Benefits ("CPA 3463"). Under the new standard, it is no longer possible to defer gains and losses related to employee future benefits. Furthermore, the finance cost is calculated using the discount rate only rather than using the expected return on plan assets. The adoption of CPA 3463 was done on a retrospective basis and the comparative figures have been adjusted.

These changes have been recorded retroactively and, accordingly, the comparative information has been increased (decreased) as follows:

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	Adoption of CPA 3463
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Balance sheet:	
Due from The Terry Fox Research Institute	\$ 16,666
Defined benefit obligation	\$ (100,000)
Statement of operations:	
Retained earnings beginning of 2015	\$ 83,334
Fundraising, 2014	\$ 73,334
Administration, 2014	\$ 10,000

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# THE TERRY FOX FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

## 3. Recast of 2014 figures:

In 2014 funds held by international run organizers were not reported in the financial statements and as a result, 2014 international distributions were overstated to the extent the cash had not been distributed. During 2015, management identified international cash and related internally restricted net assets that should be reported in the financial statements. These immaterial corrections have been recorded retroactively and, accordingly, the comparative balances have been recast as noted below:

	Increase (Decrease)
Statement of Financial Position:	
Cash	\$ 692,140
Statement of Operations:	
International disbursement	\$ (692,140)

## 4. Investments:

	2015	2014
Fixed income	\$ 51,080,421	\$ 53,577,658
Canadian equities	13,892,607	12,672,841
Foreign equities	16,098,978	13,180,758
	\$ 81,072,006	\$ 79,431,257

### (a) Interest rate and maturity 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.

# THE TERRY FOX FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

## 5. Other assets:

	2015	2014
Sales tax receivable	\$ 126,105	\$ 158,548
Other	81,175	97,974
	<u>\$ 207,280</u>	<u>\$ 256,522</u>

## 6. Equipment:

	2015		2014 (Recast note 3)	
	Cost	Accumulated amortization	Net book value	Net book value
Transportation equipment	\$ 13,688	\$ 13,688	\$ -	\$ -
Furniture and equipment	128,474	127,783	692	2,790
Computer equipment	225,570	217,403	8,167	8,073
Leasehold improvements	9,725	9,352	373	479
	<u>\$ 377,457</u>	<u>\$ 368,226</u>	<u>\$ 9,232</u>	<u>\$ 11,342</u>

Amortization for the year amounted to \$7,523 (2014 - \$12,150) and is included in fundraising and administration expenses.



# THE TERRY FOX FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## **7. Related party transactions:**

During the year, the Foundation distributed funds of \$20,946,485 (2014 - \$21,792,963) to the TFRI. The TFRI then distributed \$19,414,867 (2014 - \$20,493,819) of the total funds received to various institutes for cancer research. The remaining funds were invested or used for administrative expenses by TFRI.

The Foundation has signed a memorandum of understanding with the TFRI that sets a minimum funding commitment of \$50 million over an undefined period of time. The total amount of funding provided to the TFRI since its inception has been \$73,898,737.

The Foundation and TFRI have certain common management. The TFRI is a not-for-profit organization incorporated by letters patent to promote, advance and fund scientific research into the treatment and prevention of cancer.

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 \$1,964,623 (2014 - \$1,852,880) paid as remuneration to employees whose principal duties involve fundraising.

## **9. Capital management:**

The Foundation receives its principal source of capital funds from fundraising through The Terry Fox Run, The National School Run Day, and other fundraising events. The Foundation defines capital to be net assets.

The Foundation's main objective when managing capital is to retain sufficient funds to be able to continue to fund innovative cancer research. The Foundation manages its capital by making adjustments based on available funding. Currently, the Foundation's strategy is to retain a base level of equity (internally restricted net assets) to fund operating expenditures to allow fundraising revenues to be available for cancer research.

## **10. Pension plan:**

The Revised Pension Plan for the Employees of the Canadian Cancer Society and Affiliated Organizations had an unfunded liability of \$3,642,300 as of January 31, 2015, the date of the last actuarial valuation. The unfunded liability is not allocated to individual employers. The Foundation made employer contributions to the pension plan in the amount of \$210,678 (2014 - \$256,503).



# THE TERRY FOX FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

## 11. Internally restricted net assets:

Internally restricted net assets consist of the Research Fund representing funds received from the Province of B.C., 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:

	2015	2014
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>

## 12. Commitments:

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

2016	\$ 250,544
2017	227,292
2018	166,836
2019	157,059
2020	157,059
	<u>\$ 958,790</u>

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

# THE TERRY FOX FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

## 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.

A summary of the amounts the Foundation has committed to fund through the above noted organizations for its research programs over the next five years is as follows:

	International	The Terry Fox Research Institute (research)	Total
2016	\$ 345,345	\$ 19,531,233	\$ 19,876,578
2017	349,883	14,364,206	14,714,089
2018	139,468	8,084,454	8,223,922
2019	-	3,405,379	3,405,379
2020	-	554,843	554,843
	\$ 834,696	\$ 45,940,115	\$ 46,774,811

In addition to the research funding, the Foundation has committed \$1,647,497 for operations for TFRI for 2016. The operations funding commitment is reevaluated each fiscal year.

## 14. Comparative amounts:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. See notes 2 and 3.