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

August 31, 2019

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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, 2019, 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, 2019, 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*¹

November 28, 2019

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, 2019

Notes	2019			2018		
	General Fund	Restricted Funds	Total	General Fund	Restricted Funds	Total
	\$	\$	\$	\$	\$	\$
Revenue						
Annual campaigns	17,187,401	—	17,187,401	15,246,755	—	15,246,755
Major and planned gifts	2,633,920	991,876	3,625,796	1,364,477	2,414,520	3,778,997
Fundraising events and other	2,356,880	318,795	2,675,675	2,216,131	262,825	2,478,956
Partnerships – contributions to research	—	5,688,453	5,688,453	—	7,190,373	7,190,373
Realized investment income	2,004,323	24,483	2,028,806	1,384,969	34,055	1,419,024
Change in unrealized fair value of investments	(341,029)	—	(341,029)	1,072,407	—	1,072,407
	23,841,495	7,023,607	30,865,102	21,284,739	9,901,773	31,186,512
Expenses						
Annual campaigns	8,879,980	—	8,879,980	8,034,011	—	8,034,011
Major and planned gifts	164,540	—	164,540	170,180	—	170,180
Fundraising events and other	1,337,458	142,149	1,479,607	1,122,622	22,876	1,145,498
Administration	1,537,792	—	1,537,792	1,346,962	—	1,346,962
Amortization of property, equipment and software	61,294	—	61,294	84,525	—	84,525
	11,981,064	142,149	12,123,213	10,758,300	22,876	10,781,176
Excess of revenue over expenses before research grants and fellowships	11,860,431	6,881,458	18,741,889	10,526,439	9,878,897	20,405,336
Research grants and fellowships (including related administrative expenses of \$483,820; \$537,878 in 2018)	6,506,604	8,325,848	14,832,452	5,832,503	10,670,206	16,502,709
Excess (deficiency) of revenue over expenses	5,353,827	(1,444,390)	3,909,437	4,693,936	(791,309)	3,902,627

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, 2019

	Invested in property, equipment and software	Endowment	Externally restricted	Internally restricted	Unrestricted	Total
	\$	\$	\$	\$	\$	\$
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
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

* 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, 2019

		2019			2018	
Notes		General Fund	Restricted Funds	Total	Total	
		\$	\$	\$	\$	
Assets						
Current assets						
		Cash	2,930,583	—	2,930,583	3,130,752
		Accounts receivable	259,411	—	259,411	176,789
		Amounts due by the General Fund	—	9,266,568*	—	—
		Prepaid expenses	165,881	—	165,881	185,061
		Other assets	91,251	—	91,251	75,728
			3,447,126	9,266,568	3,447,126	3,568,330
		Investments	35,573,875	—	35,573,875	31,816,627
		Property, equipment and software	360,297	—	360,297	306,656
			39,381,298	9,266,568	39,381,298	35,691,613
Liabilities						
Current liabilities						
		Accounts payable and accrued liabilities	304,119	—	304,119	368,295
		Amounts due to the Restricted Funds	9,266,568*	—	—	—
		Deferred contributions	532,095	7,108	539,203	678,427
			10,102,782	7,108	843,322	1,046,722
		Lease inducement	140,350	—	140,350	156,702
			10,243,132	7,108	983,672	1,203,424
		Commitments				
Fund balances						
		Invested in property, equipment and software	360,297	—	360,297	306,656
		Endowment	—	121,672	121,672	121,428
		Externally restricted	—	9,137,788	9,137,788	10,043,793
		Unrestricted	28,777,869	—	28,777,869	24,016,312
			29,138,166	9,259,460	38,397,626	34,488,189
			39,381,298	9,266,568	39,381,298	35,691,613

* 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, 2019

	2019	2018
	\$	\$
Operating activities		
Excess of revenue over expenses	3,909,437	3,902,627
Adjustments for:		
Gain on disposal of investments	(962,376)	(619,957)
Change in unrealized fair value of investments	341,029	(1,072,407)
Donations in investments	(447,870)	(1,469,465)
Amortization of property, equipment and software	61,294	84,525
Amortization of lease inducement	(16,352)	—
	2,885,162	825,323
Changes in non-cash operating working capital items		
(Increase) decrease in:		
Accounts receivable	(82,622)	(71,035)
Prepaid expenses	19,180	11,729
Other assets	(15,523)	11,510
(Decrease) increase in:		
Accounts payable and accrued liabilities	(64,176)	(131,488)
Deferred contributions	(139,224)	(139,551)
	(282,365)	(318,835)
	2,602,797	506,488
Investing activities		
Purchase of investments	(17,642,306)	(7,975,286)
Proceeds on disposal of investments	14,954,275	7,661,526
Purchase of property, equipment and software	(114,935)	(47,394)
	(2,802,966)	(361,154)
Net (decrease) increase in cash	(200,169)	145,334
Cash, beginning of year	3,130,752	2,985,418
Cash, end of year	2,930,583	3,130,752

Non-cash transaction

In 2018, 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.

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 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.

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.

2. Accounting policies (continued)

Financial instruments (continued)

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.

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 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.

Cancer Research Society/Société de recherche sur le cancer

Notes to the financial statements

August 31, 2019

3. Investments

	2019	2018
	\$	\$
International equity fund		
Denominated in American dollars	5,046,163	4,739,262
Equities		
Denominated in Canadian dollars	7,486,121	6,680,011
Denominated in American dollars	8,435,275	7,832,959
Bonds		
Denominated in Canadian dollars, face value of \$12,574,000 (\$11,070,000 in 2018), interest rates ranging from 1.00% to 6.47% (1.00% to 6.50% in 2018), maturing from November 2019 to December 2051 (September 2018 to May 2077 in 2018)	13,640,233	11,247,623
Cash and cash equivalents		
Denominated in Canadian dollars	771,548	603,529
Denominated in American dollars	102,742	625,037
Accrued interest	91,793	88,206
	35,573,875	31,816,627

4. Property, equipment and software

	2019			2018
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture	112,814	37,230	75,584	13,993
Computers	250,286	153,646	96,640	78,553
Software and website	210,558	179,655	30,903	38,629
Leasehold improvements	175,481	18,311	157,170	175,481
	749,139	388,842	360,297	306,656

5. Deferred contributions

	2019	2018
	\$	\$
Balance, beginning of year	678,427	817,978
Amounts received during the year	1,691,293	1,379,563
Amounts recognized as revenue during the year	(1,830,517)	(1,519,114)
Balance, end of year	539,203	678,427

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

Cancer Research Society/Société de recherche sur le cancer

Notes to the financial statements

August 31, 2019

6. Realized investment income

Realized investment income consists of the following items:

	2019	2018
	\$	\$
Interest	321,269	296,680
Dividends	887,582	641,445
Gain on disposal of investments	962,376	619,957
	2,171,227	1,558,082
Less: investment management and custody fees	(142,421)	(139,058)
	2,028,806	1,419,024

7. Credit facility

The Society has available a credit card facility of \$65,000 (\$50,000 in 2018). This facility is to be renewed on February 28, 2020. As at August 31, 2019 and 2018, no amount has been drawn on this facility.

8. Allocation of expenses

Salaries and benefits are allocated as follows:

	2019	2018
	\$	\$
Annual campaigns	557,226	488,147
Major and planned gifts	118,795	99,513
Fundraising events and other	518,839	441,483
Research grants and fellowships	369,509	403,053
Administration	584,522	608,995
	2,148,891	2,041,191

Premises expenses are allocated as follows:

	2019	2018
	\$	\$
Annual campaigns	93,154	86,297
Major and planned gifts	12,610	19,657
Fundraising events and other	63,458	70,476
Research grants and fellowships	32,543	35,478
Administration	58,577	60,888
	260,342	272,796

Cancer Research Society/Société de recherche sur le cancer

Notes to the financial statements

August 31, 2019

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:

	\$
2020	13,787,835
2021	6,260,713
2022	862,871
2023	75,000
2024	20,000
	<u>21,006,419</u>
Less: pledge by third parties	<u>(5,236,009)</u>
	<u>15,770,410</u>

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

	Premises	Equipment and other	Total
	\$	\$	\$
2020	266,880	19,246	286,126
2021	266,880	19,246	286,126
2022	276,070	19,246	295,316
2023	279,412	8,817	288,229
2024	284,091	1,631	285,722
2025 and thereafter	1,017,991	—	1,017,991
	<u>2,391,324</u>	<u>68,186</u>	<u>2,459,510</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.

Currency risk

The Society holds cash in the amount of CAN\$45,946 (CAN\$1,631,975 in 2018), 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 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.

11. Comparative figures

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