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

August 31, 2015

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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, 2015, 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, 2015, 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 LLP<sup>1</sup>

November 16, 2015

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<sup>1</sup>CPA auditor, CA, public accountancy permit No. A120628

## Cancer Research Society/Société de recherche sur le cancer

### Statement of operations

Year ended August 31, 2015

	2015			2014		
	General Fund	Restricted Funds	Total	General Fund	Restricted Funds	Total
	\$	\$	\$	\$	\$	\$
<b>Revenue</b>						
Annual campaigns	11,026,739	—	11,026,739	10,325,485	—	10,325,485
Major and planned gifts	3,499,644	—	3,499,644	2,338,407	—	2,338,407
Fundraising projects and partnerships – contributions to research	1,971,969	5,520,063	7,492,032	1,904,789	4,511,235	6,416,024
Realized investment income	1,800,769	—	1,800,769	1,016,780	—	1,016,780
Change in unrealized fair value on investments	422,848	—	422,848	2,358,616	—	2,358,616
	<b>18,721,969</b>	<b>5,520,063</b>	<b>24,242,032</b>	<b>17,944,077</b>	<b>4,511,235</b>	<b>22,455,312</b>
<b>Expenses</b>						
Annual campaigns	4,682,439	—	4,682,439	4,735,372	—	4,735,372
Major and planned gifts	327,580	—	327,580	143,209	—	143,209
Fundraising projects and partnerships	896,458	24,923	921,381	786,366	16,170	802,536
Administration	1,393,862	—	1,393,862	1,423,612	—	1,423,612
Amortization of property, equipment and software	68,559	—	68,559	59,874	—	59,874
	<b>7,368,898</b>	<b>24,923</b>	<b>7,393,821</b>	<b>7,148,433</b>	<b>16,170</b>	<b>7,164,603</b>
Excess of revenue over expenses before research grants and fellowships	<b>11,353,071</b>	<b>5,495,140</b>	<b>16,848,211</b>	10,795,644	4,495,065	15,290,709
Research grants and fellowships (including related administrative expenses of \$308,966; \$268,712 in 2014)	<b>5,246,086</b>	<b>7,679,750</b>	<b>12,925,836</b>	4,587,264	6,300,807	10,888,071
<b>Excess (deficiency) of revenue over expenses</b>	<b>6,106,985</b>	<b>(2,184,610)</b>	<b>3,922,375</b>	6,208,380	(1,805,742)	4,402,638

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, 2015

	Invested in property, equipment and software	Endowment	Externally restricted	Internally restricted	Unrestricted	Total
	\$	\$	\$	\$	\$	\$
Fund balances as at August 31, 2013	287,241	—	1,624,027	391,581	20,467,242	22,770,091
Excess (deficiency) of revenue over expenses	(59,874)*	112,250	216,418	(2,134,410)	6,268,254	4,402,638
Purchase of property, equipment and software	26,655	—	—	—	(26,655)	—
Interfund transfers**	—	—	—	1,909,739	(1,909,739)	—
Fund balances as at August 31, 2014	<b>254,022</b>	<b>112,250</b>	<b>1,840,445</b>	<b>166,910</b>	<b>24,799,102</b>	<b>27,172,729</b>
Excess (deficiency) of revenue over expenses	(68,559)*	2,470	1,847,579	(4,034,659)	6,175,544	3,922,375
Purchase of property, equipment and software	46,715	—	—	—	(46,715)	—
Interfund transfers**	—	—	—	3,990,347	(3,990,347)	—
Fund balances as at August 31, 2015	<b>232,178</b>	<b>114,720</b>	<b>3,688,024</b>	<b>122,598</b>	<b>26,937,584</b>	<b>31,095,104</b>

\* 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, 2015

		2015			2014	
Notes		General Fund	Restricted Funds	Total	Total	
		\$	\$	\$	\$	
<b>Assets</b>						
Current assets						
		Cash	2,035,508	3,925,342	5,960,850	5,371,264
		Accrued interest	94,665	—	94,665	74,903
		Accounts receivable	138,289	—	138,289	549,633
		Prepaid expenses	257,239	—	257,239	460,267
		Other assets	37,815	—	37,815	42,519
			<b>2,563,516</b>	<b>3,925,342</b>	<b>6,488,858</b>	6,498,586
	3	Investments	25,657,763	—	25,657,763	22,210,457
	4	Property, equipment and software	232,178	—	232,178	254,022
			<b>28,453,457</b>	<b>3,925,342</b>	<b>32,378,799</b>	28,963,065
<b>Liabilities</b>						
Current liabilities						
		Accounts payable and accrued liabilities	563,605	—	563,605	876,511
	5	Deferred contributions	720,090	—	720,090	913,825
			<b>1,283,695</b>	<b>—</b>	<b>1,283,695</b>	1,790,336
	9	Commitments				
<b>Fund balances</b>						
		Invested in property, equipment and software	232,178	—	232,178	254,022
		Endowment	—	114,720	114,720	112,250
		Externally restricted	—	3,688,024	3,688,024	1,840,445
		Internally restricted	—	122,598	122,598	166,910
		Unrestricted	26,937,584	—	26,937,584	24,799,102
			<b>27,169,762</b>	<b>3,925,342</b>	<b>31,095,104</b>	27,172,729
			<b>28,453,457</b>	<b>3,925,342</b>	<b>32,378,799</b>	28,963,065

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

Approved by the Board

Domenic Pilla \_\_\_\_\_, Director

Nathalie Labelle \_\_\_\_\_, Director

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

Year ended August 31, 2015

	2015	2014
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses	<b>3,922,375</b>	4,402,638
Adjustments for:		
Gain on disposal of investments	<b>(938,746)</b>	(454,845)
Change in unrealized fair value on investments	<b>(422,848)</b>	(2,358,616)
Gifts in investments	<b>(450,551)</b>	(144,208)
Amortization of property, equipment and software	<b>68,559</b>	59,874
	<b>2,178,789</b>	1,504,843
Changes in non-cash operating working capital items		
(Increase) decrease in:		
Accrued interest	<b>(19,762)</b>	12,746
Accounts receivable	<b>411,344</b>	(434,419)
Prepaid expenses	<b>203,028</b>	(275,809)
Other assets	<b>4,704</b>	(7,409)
(Decrease) increase in:		
Accounts payable and accrued liabilities	<b>(312,906)</b>	471,120
Deferred contributions	<b>(193,735)</b>	(15,827)
	<b>92,673</b>	(249,598)
	<b>2,271,462</b>	1,255,245
<b>Investing activities</b>		
Purchase of investments	<b>(5,993,179)</b>	(3,656,421)
Proceeds on disposal of investments	<b>4,358,018</b>	3,155,302
Purchase of property, equipment and software	<b>(46,715)</b>	(26,655)
	<b>(1,681,876)</b>	(527,774)
Net increase in cash during the year	<b>589,586</b>	727,471
Cash, beginning of year	<b>5,371,264</b>	4,643,793
<b>Cash, end of year</b>	<b>5,960,850</b>	5,371,264

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, 2015

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### 1. Incorporation and purpose

The Cancer Research Society/Société de recherche sur le cancer (the "Society") was incorporated under Part III of the *Business Corporations Act* (Quebec) 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 promote cancer 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 scientific research and exposure to carcinogens present in the various environments in which people live and work, and their impact on the development of certain types of cancer.

#### *Revenue recognition*

The restricted contributions for operating activities are recognized as revenue in the General Fund in the year where the related expenses are committed. All other restricted contributions are recognized as revenue in Restricted Funds in the year in which they are received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. 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.

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.

#### *Cash*

Cash consists of deposits with major financial institutions and cash balances with the trustee.

**2. Accounting policies (continued)**

*Financial instruments*

Financial assets and liabilities are initially recognized at fair value when the Society becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost except for the investments, which are measured at fair value at the statement of financial position date. Fair value fluctuations, including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included as revenue in the statement of operations.

Transaction costs related to financial instruments measured at fair value subsequent to initial recognition are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statement of operations as interest income or expenses.

With respect to financial assets measured at amortized cost, the Society recognizes in the statement of operations an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in the statement of operations in the period the reversal occurs.

*Property, equipment and software*

Property, equipment and software are recorded at cost. Contributed equipment is recorded at fair value at the date of contribution. Amortization of property, equipment and software is based on their estimated useful life using the declining balance method at an annual rate of 20%.

Leasehold improvements are recorded at cost. Amortization is provided for using the straight-line method over the duration of the lease.

*Allocation of expenses*

The Society engages in various fundraising programs. The costs of each program include the costs of personnel and other expenses that are directly related to providing the program, as well as a portion of the administrative salaries expenses of the Society.

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

*Foreign exchange translation*

Monetary assets and liabilities denominated in foreign currencies are translated at year-end exchange rates, while non-monetary items are translated at historical rates. Foreign currency revenue and expenses are translated at the rate of exchange prevailing at the transaction date. Realized gains and losses on translation are included in the statement of operations.

## Cancer Research Society/Société de recherche sur le cancer

### Notes to the financial statements

August 31, 2015

#### 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

	2015	2014
	\$	\$
International Equity Fund		
Denominated in U.S. dollars	4,128,361	3,325,301
Equities		
Denominated in Canadian dollars	5,046,141	4,697,318
Denominated in U.S. dollars	6,896,302	6,119,879
Bonds		
Denominated in Canadian dollars, face value of \$8,739,000 (\$7,394,000 in 2014), interest rates ranging from 1.20% to 9.98% (1.25% to 9.98% in 2014), maturing from May 2016 to June 2108 (September 2014 to June 2108 in 2014)	9,586,959	8,067,959
	<b>25,657,763</b>	<b>22,210,457</b>

#### 4. Property, equipment and software

	2015			2014
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture	251,190	218,136	33,054	44,072
Computers	210,880	129,033	81,847	66,327
Software and website	374,093	265,493	108,600	132,061
Leasehold improvements	28,859	20,182	8,677	11,562
	<b>865,022</b>	<b>632,844</b>	<b>232,178</b>	<b>254,022</b>

# Cancer Research Society/Société de recherche sur le cancer

## Notes to the financial statements

August 31, 2015

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### 5. Deferred contributions

	2015	2014
	\$	\$
Balance, beginning of year	913,825	929,652
Amounts received during the year	720,090	913,825
Amounts recognized as revenue during the year	(913,825)	(929,652)
Balance, end of year	<b>720,090</b>	913,825

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

### 6. Realized investment income

Realized investment income consists of the following items:

	2015	2014
	\$	\$
Interest	599,914	369,366
Dividends	262,109	192,569
Gain on disposal of investments	938,746	454,845
	<b>1,800,769</b>	1,016,780

### 7. Credit facility

The Society has available a credit facility for forward foreign exchange of \$600,000 and a credit card facility of \$50,000. These facilities are to be renewed on February 28, 2016.

As at August 31, 2015 and August 31, 2014, no amount has been drawn on these facilities.

### 8. Allocation of expenses

Salaries and benefits of support functions are allocated as follows:

	2015	2014
	\$	\$
Annual campaigns	117,071	148,527
Major and planned gifts	46,140	51,754
Fundraising projects and partnerships	53,865	69,304
Research grants and fellowships	111,794	75,071
	<b>328,870</b>	344,656

# Cancer Research Society/Société de recherche sur le cancer

## Notes to the financial statements

August 31, 2015

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### 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:

	\$
2016	13,164,955
2017	10,434,286
2018	2,374,089
2019	346,667
2020	216,667
	<u>26,536,664</u>
Less: pledge by third parties	<u>(10,474,236)</u>
	<u>16,062,428</u>

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

	Premises	Equipment and other	Total
	\$	\$	\$
2016	217,816	24,696	242,512
2017	217,816	24,696	242,512
2018	127,059	21,591	148,650
2019	—	12,276	12,276
2020	—	9,207	9,207
	<u>562,691</u>	<u>92,466</u>	<u>655,157</u>

### 10. Financial instruments

Because of its financial assets, the Society is exposed to the following risks related to the use of financial instruments:

*Price risk*

Price risk is the risk that results from fluctuations in equity prices depending on market conditions and the composition of the asset mix.

*Foreign currency risk*

The Society holds cash in the amount of CDN\$1,521,656 (CDN\$1,622,043 in 2014), in U.S. dollars, as well as money market funds in U.S. dollars and U.S. 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 bond investments. Therefore, there is a credit risk that the bond issuer will be unable to pay its obligations towards the Society and this will have an impact on the assets of the Society. In order to minimize the counterpart default risk, the Society trades its cash through a Canadian chartered bank in Schedule 1 as defined by the *Bank Act* of Canada, while for corporate bonds, the Society requires a minimum quality rating of A.