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

August 31, 2016

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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, 2016, 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, 2016, 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

November 14, 2016

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, 2016

	2016			2015		
	General Fund	Restricted Funds	Total	General Fund	Restricted Funds	Total
	\$	\$	\$	\$	\$	\$
Revenue						
Annual campaigns	11,014,487	—	11,014,487	11,026,739	—	11,026,739
Major and planned gifts	1,561,785	444,259	2,006,044	3,499,644	—	3,499,644
Fundraising projects and partnerships – contributions to research	1,885,017	4,686,071	6,571,088	1,971,969	5,520,063	7,492,032
Realized investment income	1,987,636	6,560	1,994,196	1,800,769	—	1,800,769
Change in unrealized fair value on investments	(51,651)	—	(51,651)	422,848	—	422,848
	16,397,274	5,136,890	21,534,164	18,721,969	5,520,063	24,242,032
Expenses						
Annual campaigns	4,931,286	—	4,931,286	4,682,439	—	4,682,439
Major and planned gifts	372,375	1,777	374,152	327,580	—	327,580
Fundraising projects and partnerships	952,183	5,956	958,139	896,458	24,923	921,381
Administration	1,574,740	—	1,574,740	1,393,862	—	1,393,862
Amortization of property, equipment and software	48,804	—	48,804	68,559	—	68,559
	7,879,388	7,733	7,887,121	7,368,898	24,923	7,393,821
Excess of revenue over expenses before research grants and fellowships	8,517,886	5,129,157	13,647,043	11,353,071	5,495,140	16,848,211
Research grants and fellowships (including related administrative expenses of \$299,305; \$308,966 in 2015)	6,379,894	7,740,957	14,120,851	5,246,086	7,679,750	12,925,836
(Deficiency) excess of revenue over expenses	2,137,992	(2,611,800)	(473,808)	6,106,985	(2,184,610)	3,922,375

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, 2016

	Invested in property, equipment and software	Endowment	Externally restricted	Internally restricted	Unrestricted	Total
	\$	\$	\$	\$	\$	\$
Fund balances as at August 31, 2014	254,022	112,250	1,840,445	166,910	24,799,102	27,172,729
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	232,178	114,720	3,688,024	122,598	26,937,584	31,095,104
(Deficiency) excess of revenue over expenses	(48,804) *	1,160	247,910	(2,860,870)	2,186,796	(473,808)
Purchase of property, equipment and software	2,049	—	—	—	(2,049)	—
Interfund transfers**	—	—	—	2,917,438	(2,917,438)	—
Fund balances as at August 31, 2016	185,423	115,880	3,935,934	179,166	26,204,893	30,621,296

* 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, 2016

		2016			2015
Notes	General Fund	Restricted Funds	Total	Total	
	\$	\$	\$	\$	
Assets					
Current assets					
	Cash	1,307,796	4,230,980	5,538,776	5,960,850
	Accrued interest	84,008	—	84,008	94,665
	Accounts receivable	85,865	—	85,865	138,289
	Prepaid expenses	239,096	—	239,096	257,239
	Other assets	40,108	—	40,108	37,815
		1,756,873	4,230,980	5,987,853	6,488,858
	Investments	25,675,472	—	25,675,472	25,657,763
	Property, equipment and software	185,423	—	185,423	232,178
		27,617,768	4,230,980	31,848,748	32,378,799
Liabilities					
Current liabilities					
	Accounts payable and accrued liabilities	536,224	—	536,224	563,605
	Deferred contributions	691,228	—	691,228	720,090
		1,227,452	—	1,227,452	1,283,695
	Commitments				
Fund balances					
	Invested in property, equipment and software	185,423	—	185,423	232,178
	Endowment	—	115,880	115,880	114,720
	Externally restricted	—	3,935,934	3,935,934	3,688,024
	Internally restricted	—	179,166	179,166	122,598
	Unrestricted	26,204,893	—	26,204,893	26,937,584
		26,390,316	4,230,980	30,621,296	31,095,104
		27,617,768	4,230,980	31,848,748	32,378,799

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, 2016

	2016	2015
	\$	\$
Operating activities		
(Deficiency) excess of revenue over expenses	(473,808)	3,922,375
Adjustments for:		
Gain on disposal of investments	(1,013,734)	(938,746)
Change in unrealized fair value on investments	51,651	(422,848)
Donations in investments	(364,857)	(450,551)
Amortization of property, equipment and software	48,804	68,559
	(1,751,944)	2,178,789
Changes in non-cash operating working capital items		
Decrease (increase) in:		
Accrued interest	10,657	(19,762)
Accounts receivable	52,424	411,344
Prepaid expenses	18,143	203,028
Other assets	(2,293)	4,704
Decrease in:		
Accounts payable and accrued liabilities	(27,381)	(312,906)
Deferred contributions	(28,862)	(193,735)
	22,688	92,673
	(1,729,256)	2,271,462
Investing activities		
Purchase of investments	(5,494,167)	(5,993,179)
Proceed on disposal of investments	6,803,398	4,358,018
Purchase of property, equipment and software	(2,049)	(46,715)
	1,307,182	(1,681,876)
Net (decrease) increase in cash during the year	(422,074)	589,586
Cash, beginning of year	5,960,850	5,371,264
Cash, end of year	5,538,776	5,960,850

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

1. Status and nature of activities

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 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 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.

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.

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, 2016

3. Investments

	2016	2015
	\$	\$
International Equity Fund		
Denominated in U.S. dollars	4,073,803	4,128,361
Equities		
Denominated in Canadian dollars	5,364,148	5,046,141
Denominated in U.S. dollars	6,658,756	6,896,302
Bonds		
Denominated in Canadian dollars, face value of \$8,654,000 (\$8,739,000 in 2015), interest rates ranging from 0.75% to 9.98% (1.20% to 9.98% in 2015), maturing from September 2016 to June 2108 (May 2016 to June 2108 in 2015)	9,578,765	9,586,959
	25,675,472	25,657,763

4. Property, equipment and software

	2016			2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture	251,190	224,764	26,426	33,054
Computers	210,880	145,447	65,433	81,847
Software and website	376,142	288,362	87,780	108,600
Leasehold improvements	28,859	23,075	5,784	8,677
	867,071	681,648	185,423	232,178

5. Deferred contributions

	2016	2015
	\$	\$
Balance, beginning of year	720,090	913,825
Amounts received during the year	682,719	720,090
Amounts recognized as revenue during the year	(711,581)	(913,825)
Balance, end of year	691,228	720,090

The deferred contributions represent 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, 2016

6. Realized investment income

Realized investment income consists of the following items:

	2016	2015
	\$	\$
Interest	322,187	297,514
Dividends	658,275	564,509
Gain on disposal of investments	1,013,734	938,746
	1,994,196	1,800,769

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, 2017.

As at August 31, 2016 and August 31, 2015, no amount has been drawn on these facilities.

8. Allocation of expenses

Salaries and benefits of support functions are allocated as follows:

	2016	2015
	\$	\$
Annual campaigns	139,889	119,617
Major and planned gifts	18,986	17,787
Fundraising projects and partnerships	240,097	174,496
Research grants and fellowships	179,718	171,187
	578,690	483,087

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:

	\$
2017	12,826,136
2018	6,815,000
2019	635,000
2020	260,000
2021	125,000
	<u>20,661,136</u>
Less: pledge by third parties	<u>(5,403,770)</u>
	<u>15,257,366</u>

9. Commitments (continued)

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

	Premises	Equipment and other	Total
	\$	\$	\$
2017	253,801	18,275	272,076
2018	148,050	17,163	165,213
2019	—	13,825	13,825
2020	—	9,217	9,217
	<u>401,851</u>	<u>58,480</u>	<u>460,331</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 CDN \$1,788,993 (CDN \$1,521,656 in 2015), 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.

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.

11. Comparative figures

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