

Financial Statements of

**THE TERRY FOX
FOUNDATION**

Year ended March 31, 2010



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AUDITORS' REPORT

To the Board of Directors of The Terry Fox Foundation

We have audited the statement of financial position of The Terry Fox Foundation as at March 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Foundation derives revenue from the general public in the form of donations which are not susceptible of complete audit verification. Accordingly, our verification of such revenue was limited to an accounting for the amounts recorded in the records of the Foundation and we are not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, cash and short term investments and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a consistent basis with that of the preceding year.

KPMG LLP

Chartered Accountants

Chilliwack, British Columbia
June 28, 2010

THE TERRY FOX FOUNDATION

Statement of Financial Position

March 31, 2010, with comparative figures for 2009

	2010	2009
Assets		
Current assets:		
Cash	\$ 1,149,129	\$ 1,060,146
Investments and accrued interest (Note 3)	100,939,976	101,433,189
Merchandise inventory	174,834	220,841
Other assets	124,303	168,287
	<u>102,388,242</u>	<u>102,882,463</u>
Equipment (Note 4)	43,052	44,056
Due from The Terry Fox Research Institute (Note 10)	104,262	-
	<u>\$ 102,535,556</u>	<u>\$ 102,926,519</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 110,797	\$ 55,440
Due to International cancer research organizations	332,390	461,238
Due to The Terry Fox Research Institute (Note 10)	-	212,373
Liability for post retirement benefits other than pensions	275,000	250,000
Net assets:		
Invested in equipment	43,052	44,056
Internally restricted (Note 7)	40,000,000	40,000,000
Unrestricted	61,774,317	61,903,412
	<u>101,817,369</u>	<u>101,947,468</u>
Commitments (Notes 9 and 10)		
	<u>\$ 102,535,556</u>	<u>\$ 102,926,519</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

THE TERRY FOX FOUNDATION

Statement of Operations

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Revenue:		
Annual giving:		
Canada	\$ 19,273,734	\$ 21,829,713
International	1,366,816	1,423,102
Investment income	4,051,695	3,200,106
Sale of merchandise	517,489	543,989
Bequests and memoriams	187,852	214,711
Government student grants	32,463	30,568
Royalties	15,130	12,800
	<u>25,445,179</u>	<u>27,254,989</u>
Expenses:		
Fundraising (Note 5)	2,187,176	2,010,319
Administration	1,140,462	834,046
Cost of merchandise sold	655,541	509,810
Receipting	208,998	231,715
International costs	138,575	163,611
	<u>4,330,752</u>	<u>3,749,501</u>
Excess of revenue over expenses before distributable funds	21,114,427	23,505,488
Distributions (recoveries) of distributable funds:		
Canadian Cancer Society	13,875,000	2,062,000
The Terry Fox Research Institute (Note 10)	5,150,000	3,650,000
International cancer research organizations	1,244,526	1,313,060
Canadian Institute of Health Research	975,000	-
Funds recovered from National Cancer Institute of Canada	-	(10,176,698)
	<u>21,244,526</u>	<u>(3,151,638)</u>
Excess (deficiency) of revenue over expenses	\$ (130,099)	\$ 26,657,126

See accompanying notes to financial statements.

THE TERRY FOX FOUNDATION

Statement of Changes in Net Assets

Year ended March 31, 2010, with comparative figures for 2009

	Invested in equipment	Internally restricted (Note 7)	Unrestricted	Total 2010	Total 2009
Net assets, beginning of year	\$ 44,056	\$ 40,000,000	\$ 61,903,412	\$101,947,468	\$ 75,290,342
Excess (deficiency) of revenue over expenses	(21,547)	-	(108,552)	(130,099)	26,657,126
Investment in equipment	20,543	-	(20,543)	-	-
Net assets, end of year	\$ 43,052	\$ 40,000,000	\$ 61,774,317	\$101,817,369	\$101,947,468

See accompanying notes to financial statements.

THE TERRY FOX FOUNDATION

Statement of Cash Flows

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenues over expenses	\$ (130,099)	\$ 26,657,126
Item not involving cash:		
Amortization	21,547	23,707
Changes in non-cash operating working capital:		
Other current assets	89,991	(29,137)
Accounts payable and accrued liabilities	55,357	7,066
	<u>36,796</u>	<u>26,658,762</u>
Financing:		
Increase (decrease) in due to International cancer research organizations	(128,848)	77,743
Increase in (advances to) the Terry Fox Research Institute	(316,635)	212,373
Decrease in due to National Cancer Institute of Canada	-	(11,430,750)
Increase in liability for post retirement benefits other than pensions	25,000	35,000
	<u>(420,483)</u>	<u>(11,105,634)</u>
Investments:		
Decrease (increase) in investments	493,213	(16,913,754)
Additions to equipment	(20,543)	(29,405)
	<u>472,670</u>	<u>(16,943,159)</u>
Increase (decrease) in cash	88,983	(1,390,031)
Cash, beginning of year	1,060,146	2,450,177
Cash, end of year	<u>\$ 1,149,129</u>	<u>\$ 1,060,146</u>

See accompanying notes to financial statements.

THE TERRY FOX FOUNDATION

Notes to Financial Statements

Year ended March 31, 2010

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"), planned giving and in memoriam gifts.

The Terry Fox Research Institute (the "TFRI") and The Canadian Cancer Society are the primary beneficiaries of the funds raised in Canada. 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.

1. Significant accounting policies:

(a) Revenue recognition:

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.

(b) Financial instruments:

The Foundation accounts for its financial assets and liabilities in accordance with Canadian generally accepted accounting principles.

The financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at market value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in market value will depend on their initial classification, as follows: held-for-trading financial assets are measured at market value and changes in market value are recognized in net earnings; available-for-sale financial instruments are measured at market value with changes in market value recorded in net assets.

THE TERRY FOX FOUNDATION

Notes to Financial Statements

Year ended March 31, 2010

1. Significant accounting policies (continued):

The Foundation has designated the following:

- (i) Cash is classified as held-for-trading, which is measured at market value.
- (ii) Investments are classified as either held-to-maturity or held-for-trading. The held-to-maturity investments are measured at amortized cost and the held-for-trading investments are measured at market value.
- (iii) Other assets are classified as loans and receivables, which are measured at amortized cost.
- (iv) Accounts payable and accrued liabilities, Due to international cancer research organizations and Due to The Terry Fox Research Institute are classified as other financial liabilities, which are measured at amortized cost.

(c) Equipment:

Purchased equipment is recorded at cost. Donated equipment is recorded at fair market value when received. Amortization is calculated on a straight-line basis over the useful lives of the assets at the following rates:

Transportation equipment	5 years
Furniture and office equipment	5 years
Computer equipment	3 years
Leasehold improvements	5 years

(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 TERRY FOX FOUNDATION

Notes to Financial Statements

Year ended March 31, 2010

1. Significant accounting policies (continued):

The Foundation 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.

(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:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(h) Future changes in accounting standards:

The Accounting Standards Board and the Public Sector Accounting Board have recently approved for release an exposure draft which suggests that Not-for-Profit enterprises (NFPs) in Canada that are not in the public sector be given a choice to adopt either International Financial Reporting Standards (IFRS) or a private company framework with not-for-profit oriented specific areas, similar to what is currently used in Canada. The final status of Generally Accepted Accounting Principles ("GAAP") for NFPs in Canada is pending comments received on the exposure draft and an eventual final standard. For those entities that do adopt IFRS, the changeover will require the following:

IFRS balance sheet and profit and loss information to be available for the "comparative period". As such, the opening balance sheet as at the April 1, 2010 transition date will need to be converted to IFRS.

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Notes to Financial Statements

Year ended March 31, 2010

1. Significant accounting policies (continued):

IFRS disclosures (which are considered to be much more extensive than current Canadian GAAP)

Based on this exposure draft, the Foundation will be required to adopt one of these accounting frameworks for the year beginning April 1, 2012. Until that date, no change in the accounting standards currently used would occur. The Foundation is currently evaluating its options and will finalize its decision once the final accounting standards for NFPs are released.

2. Capital management:

The Foundation receives its principal source of capital funds from fundraising through The Terry Fox Run 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 all fundraising revenues to be available for cancer research.

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Notes to Financial Statements

Year ended March 31, 2010

3. Investments and accrued interest:

	Fixed Income		Canadian equities		Foreign equities		2010		2009	
	Cost	Market	Cost	Market	Cost	Market	Cost	Market	Cost	Market
Held-to-maturity investments:										
Short-term	\$ 26,667,045	\$ 26,321,037	\$ -	\$ -	\$ -	\$ -	\$ 26,667,045	\$ 26,321,037	\$ 58,248,980	\$ 58,437,976
Long-term	32,266,503	32,032,724	-	-	-	-	32,266,503	32,032,724	33,142,868	33,537,047
	58,933,548	58,353,761	-	-	-	-	58,933,548	58,353,761	91,391,848	91,975,023
Held-for-trading investments	25,221,229	24,966,222	8,710,451	8,945,811	8,025,301	8,094,396	41,956,981	42,006,428	10,911,758	10,041,341
	\$ 84,154,777	\$ 83,319,982	\$ 8,710,451	\$ 8,945,811	\$ 8,025,301	\$ 8,094,396	\$ 100,890,529	\$ 100,360,189	\$ 102,303,606	\$ 102,016,364

Investments and accrued interest are recorded as follows:

	2010	2009
Held-to-maturity - at amortized cost	\$ 58,933,548	\$ 91,391,848
Held-for-trading - at market value	42,006,428	10,041,341
	\$ 100,939,976	\$ 101,433,189

(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. Interest rates and maturities are as follows:

	Fixed Income Securities	
	Interest Rates	Maturities
Held-to-maturity - at amortized cost	1.22 % to 7.00%	April 2010 to March 2013

(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 represents the Foundation's maximum exposure to market/credit risk. The Foundation mitigates this risk by investing in a portfolio that is diversified.

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Notes to Financial Statements

Year ended March 31, 2010

4. Equipment:

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
Transportation equipment	\$ 27,606	\$ 8,282	\$ 19,324	\$ 24,845
Furniture and office equipment	121,559	112,412	9,147	6,657
Computer equipment	196,385	183,485	12,900	6,565
Leasehold improvements	35,601	33,920	1,681	5,989
	<u>\$ 381,151</u>	<u>\$ 338,099</u>	<u>\$ 43,052</u>	<u>\$ 44,056</u>

Amortization expense for the year totaled \$21,547 (2009 - \$23,707) and is included in fundraising and administration expenses.

5. Fundraising:

Included in fundraising expenses is \$1,375,292 (2009 - \$1,298,602) paid as remuneration to employees whose principal duties involve fundraising.

6. Pension plan:

The Revised Pension Plan for the Employees of the Canadian Cancer Society and Affiliated Organizations had an unfunded liability of \$2,366,000 as of December 31, 2006, 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 \$89,608 (2009 - \$85,406).

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Year ended March 31, 2010

7. 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:

	2010	2009
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>

8. Lease commitments:

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

2011	\$	206,797
2012	\$	75,091
2013	\$	45,829
2014	\$	38,800

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

Year ended March 31, 2010

9. Distribution commitments:

In 2007, The TFRI was established, focusing on translational cancer research. The Foundation committed to provide \$50 million to TFRI for its research programs and operations. In 2009, the National Cancer Institute of Canada ("NCIC") amalgamated with the Canadian Cancer Society ("CCS").

The Foundation reached an agreement with the CCS in 2009 whereby the CCS would administer the grants and awards that were committed to by the NCIC.

Since 2009, The Foundation has entered into two agreements with The Canadian Institutes of Health Research ("CIHR"), whereby the CIHR administers certain research programs on behalf of the Foundation.

A summary of the amounts the Foundation has committed to distribute to fund grants and awards to the above noted organizations over the next five years is as follows:

	Canadian Cancer Society	Canadian Institutes of Health Research	The Terry Fox Research Institute	Total
2011	\$ 14,632,000	\$ 4,073,000	\$ 5,145,000	\$ 23,850,000
2012	9,822,000	5,053,000	4,332,000	19,207,000
2013	6,281,000	4,925,000	3,501,000	14,707,000
2014	4,216,000	2,987,000	853,000	8,056,000
2015	950,000	2,359,000	-	3,309,000
	\$ 35,901,000	\$ 19,397,000	\$ 13,831,000	\$ 69,129,000

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Notes to Financial Statements

Year ended March 31, 2010

10. Related party transaction:

During the year, the Foundation allocated \$5,150,000 (2009 - \$3,650,000) to the TFRI. The TFRI then distributed \$4,133,693 (2009 - \$2,829,218) of the total funds received to various institutes for cancer research. The remaining funds were invested or used for administrative expenses.

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 \$12,809,250.

The Foundation and the TFRI have certain common officers and 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.

11. Financial instruments:

The carrying values of cash, accrued interest, accounts payable and accrued liabilities, due from/to The TFRI and due to International Cancer research organizations approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

12. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial presentation adopted in the current year.