

Financial Statements of

THE TERRY FOX FOUNDATION

Year ended March 31, 2012



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Terry Fox Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of The Terry Fox Foundation, which comprise the statement of financial position as at March 31, 2012, 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 generally accepted accounting principles, 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 an 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 is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Terry Fox Foundation derives revenue from contributions, the completeness of which is not susceptible to satisfactory audit verification. We were not able to determine whether, as at and for the years ended 2012 and 2011, any adjustments might be necessary to contributions and excess of revenues over expenses reported in the statements of cash flows and current assets and unrestricted net assets reported in the statements of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended March 31, 2012.



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, 2012 and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the Canada Corporations Act, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slanted style. Below the signature is a long, horizontal, slightly curved line that tapers at both ends, serving as a decorative underline.

Chartered Accountants

Chilliwack, British Columbia
October 23, 2012

THE TERRY FOX FOUNDATION

Statement of Financial Position

March 31, 2012, with comparative figures for 2011

	2012	2011
Assets		
Current assets:		
Cash	\$ 5,437,704	\$ 4,036,045
Investments and accrued interest (Note 3)	86,640,999	88,908,088
Merchandise inventory	80,814	60,267
<u>Other assets</u>	<u>340,386</u>	<u>331,301</u>
	92,499,903	93,335,701
Equipment (Note 4)	28,167	39,638
Due from The Terry Fox Research Institute (Note 10)	372,164	5,223
	<u>\$ 92,900,234</u>	<u>\$ 93,380,562</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 215,527	\$ 159,836
Due to Terry Fox Centre	30,000	-
<u>Due to International cancer research organizations</u>	<u>325,370</u>	<u>-</u>
	570,897	159,836
Due to International cancer research organizations	-	332,390
Liability for post retirement benefits other than pensions	360,000	315,000
Net assets:		
Invested in equipment	28,167	39,638
Internally restricted (Note 7)	40,000,000	40,000,000
<u>Unrestricted</u>	<u>51,941,170</u>	<u>52,533,698</u>
	91,969,337	92,573,336
Commitments (Notes 8, 9 and 10)		
	<u>\$ 92,900,234</u>	<u>\$ 93,380,562</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, 2012, with comparative figures for 2011

	2012	2011
Revenue:		
Annual giving:		
Canada	\$ 20,339,107	\$ 22,028,360
International	1,252,149	1,281,992
Investment income	2,730,400	4,425,337
Sale of merchandise	484,314	753,103
Bequests and memoriams	969,129	198,620
Government student grants	57,220	50,526
Royalties	3,123	42,742
	<u>25,835,442</u>	<u>28,780,680</u>
Expenses:		
Fundraising (Note 5)	2,881,393	2,856,043
Administration	1,158,343	1,231,013
Cost of merchandise sold	632,877	699,716
Receipting	223,553	244,334
	<u>4,896,166</u>	<u>5,031,106</u>
Excess of revenue over expenses before distributable funds	20,939,276	23,749,574
Distributions of distributable funds:		
Canadian Cancer Society	6,928,214	21,604,675
The Terry Fox Research Institute (Note 10)	5,819,924	6,090,000
International cancer research organizations	1,158,654	1,194,835
Canadian Institutes of Health Research	7,636,483	4,104,097
	<u>21,543,275</u>	<u>32,993,607</u>
Deficiency of revenue over expenses	\$ (603,999)	\$ (9,244,033)

See accompanying notes to financial statements.

THE TERRY FOX FOUNDATION

Statement of Changes in Net Assets

Year ended March 31, 2012, with comparative figures for 2011

	Invested in equipment	Internally restricted (Note 7)	Unrestricted	Total 2012	Total 2011
Net assets, beginning of year	\$ 39,638	\$ 40,000,000	\$ 52,533,698	\$ 92,573,336	\$101,817,369
Deficiency of revenue over expenses	(16,195)	-	(587,804)	(603,999)	(9,244,033)
Investment in equipment	4,724	-	(4,724)	-	-
Net assets, end of year	\$ 28,167	\$ 40,000,000	\$ 51,941,170	\$ 91,969,337	\$ 92,573,336

See accompanying notes to financial statements.

THE TERRY FOX FOUNDATION

Statement of Cash Flows

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operations:		
Deficiency of revenues over expenses	\$ (603,999)	\$ (9,244,033)
Item not involving cash:		
Amortization	16,196	18,493
Changes in non-cash operating working capital:		
Other current assets	(29,632)	(92,431)
Accounts payable and accrued liabilities	55,690	49,039
Increase in due to international cancer research organizations	325,370	-
	(236,375)	(9,268,932)
Financing:		
Decrease in due to International cancer research organizations	(332,390)	-
Advances from (to) the Terry Fox Research Institute, net	(366,941)	99,039
Increase in liability for post retirement benefits other than pensions	45,000	40,000
Advance from the Terry Fox Centre	30,000	-
	(624,331)	139,039
Investments:		
Decrease in investments	2,267,089	12,031,888
Additions to equipment	(4,724)	(15,079)
	2,262,365	12,016,809
Increase in cash	1,401,659	2,886,916
Cash, beginning of year	4,036,045	1,149,129
Cash, end of year	\$ 5,437,704	\$ 4,036,045

See accompanying notes to financial statements.

THE TERRY FOX FOUNDATION

Notes to Financial Statements

Year ended March 31, 2012

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:

(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.

THE TERRY FOX FOUNDATION

Notes to Financial Statements

Year ended March 31, 2012

1. Significant accounting policies (continued):

(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 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.

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Notes to Financial Statements

Year ended March 31, 2012

1. Significant accounting policies (continued):

(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 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.

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Notes to Financial Statements

Year ended March 31, 2012

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:

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:

Effective April 1, 2012, the Foundation's current accounting framework will no longer exist. In December 2010 the Canadian Institute of Chartered Accountants ("CICA") in conjunction with the Accounting Standards Board ("AcSB") issued Part III – Accounting Standards for Not-for-Profit Organizations ("Part III") of the CICA Handbook. Part III is effective for fiscal years commencing on or after January 1, 2012 and provides Canadian private sector not-for-profit organizations with a new financial reporting framework. The Foundation has the option to apply International Financial Reporting Standards (IFRS) or the newly approved accounting standards for Not-for-Profit Organizations.

The Foundation has elected to adopt the new accounting standards for not-for-profit organizations effective April 1, 2012.

The Foundation is evaluating the impact of adopting the new accounting standards for not-for-profit organizations; differences on adoption are expected to be minimal.

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Notes to Financial Statements

Year ended March 31, 2012

2. 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 all fundraising revenues to be available for cancer research.

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Notes to Financial Statements

Year ended March 31, 2012

3. Investments and accrued interest:

	Fixed Income		Canadian equities		Foreign equities		2012		2011	
	Cost	Market	Cost	Market	Cost	Market	Cost	Market	Cost	Market
Held-to-maturity investments:										
Short-term	\$ 30,633,070	\$ 30,550,578	\$ -	\$ -	\$ -	\$ -	\$ 30,633,070	\$ 30,550,578	\$ 23,889,402	\$ 23,787,080
Long-term	8,885,750	8,897,070	-	-	-	-	8,885,750	8,897,070	19,882,248	19,804,292
	39,518,820	39,447,648	-	-	-	-	39,518,820	39,447,648	43,771,650	43,591,372
Held-for-trading investments	27,565,346	28,091,589	9,338,147	9,620,878	8,342,174	9,409,712	45,245,667	47,122,179	43,617,531	45,136,438
	\$ 67,084,166	\$ 67,539,237	\$ 9,338,147	\$ 9,620,878	\$ 8,342,174	\$ 9,409,712	\$ 84,764,487	\$ 86,569,827	\$ 87,389,181	\$ 88,727,810

Investments and accrued interest are recorded as follows:

	2012	2011
Held-to-maturity - at amortized cost	\$ 39,518,820	\$ 43,771,650
Held-for-trading - at market value	47,122,179	45,136,438
	\$ 86,640,999	\$ 88,908,088

(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	0.90 % to 5.38%	April 2012 to December 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, 2012

4. Equipment:

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
Transportation equipment	\$ 27,606	\$ 19,324	\$ 8,282	\$ 13,803
Furniture and office equipment	128,474	119,166	9,308	12,002
Computer equipment	209,273	198,696	10,577	13,686
Leasehold improvements	35,601	35,601	-	147
	<u>\$ 400,954</u>	<u>\$ 372,787</u>	<u>\$ 28,167</u>	<u>\$ 39,638</u>

Amortization expense for the year totaled \$16,195 (2011 - \$18,493) and is included in fundraising, administration, and international expenses.

5. Fundraising:

Included in fundraising expenses is \$1,826,604 (2011 - \$1,607,513) 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 \$2,479,000 as of January 31, 2012, 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 \$193,815 (2011 - \$103,199).

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Year ended March 31, 2012

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:

	2012	2011
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. Commitments:

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

2013	\$ 227,113
2014	\$ 193,975
2015	\$ 149,410
2016	\$ 129,235
2017	\$ 121,874

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.

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Notes to Financial Statements

Year ended March 31, 2012

9. 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 \$50 million to TFRI 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.

For many years, funds raised by the Foundation were directed to the National Cancer Institute of Canada ("NCIC"), who managed all of the Foundation's discovery-based cancer research programs. In 2009, the NCIC amalgamated with the Canadian Cancer Society ("CCS"). The Foundation reached an agreement with the CCS for them to administer the multi-year grants that were being managed by the NCIC until those grants are fully funded by the Foundation, the last of which will be in fiscal 2015.

In the meantime, the Foundation has, since 2009, 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 fund through the above noted organizations for its research programs over the next five years is as follows:

	Canadian Cancer Society	Canadian Institutes of Health Research	The Terry Fox Research Institute	Total
2013	\$ 5,353,732	\$ 10,501,526	\$ 11,182,911	\$ 27,038,169
2014	4,395,440	11,048,732	6,483,462	21,927,634
2015	986,951	11,302,086	4,031,003	16,320,040
2016	-	10,361,760	1,525,061	11,886,821
2017	-	8,135,352	634,173	8,769,525
Thereafter	-	9,758,404	156,062	9,914,466
	\$ 10,736,123	\$ 61,107,860	\$ 24,012,672	\$ 95,856,655

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Year ended March 31, 2012

10. Related party transaction:

During the year, the Foundation allocated \$5,819,744 (2011 - \$6,090,000) to the TFRI. The TFRI then distributed \$4,506,634 (2011 - \$5,272,651) 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 \$21,273,607.

The Foundation and the 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.

11. Financial instruments:

The carrying values of cash, accrued interest, accounts payable and accrued liabilities, due from 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.