

Financial Statements of

**THE TERRY FOX
FOUNDATION**

Years ended March 31, 2013 and 2012



KPMG LLP
Chartered Accountants
200-9123 Mary Street
Chilliwack BC V2P 4H7
Canada

Telephone (604) 793-4700
Fax (604) 793-4747
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Terry Fox Foundation

We have audited the accompanying financial statements of The Terry Fox Foundation, which comprise the statement of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 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 in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.



Page 2

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donation revenue, excess or deficiency of revenues over expenditures and assets and net assets.

Qualified Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Terry Fox Foundation as at March 31, 2013, March 31, 2012 and April 1, 2011, and its results of operations, changes in net assets and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Report on other Legal and Regulatory Requirements

As required by the Canadian Corporations Act, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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.

Chartered Accountants

August 12, 2013

Chilliwack, British Columbia

THE TERRY FOX FOUNDATION

Statement of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012	April 1, 2011
Assets			
Current assets:			
Cash	\$ 6,345,058	\$ 5,407,704	\$ 4,036,045
Investments (note 2)	81,313,450	86,569,827	88,727,810
Merchandise inventory	148,091	80,814	60,267
Other assets (note 3)	300,370	340,386	331,301
Funds held in trust (note 5)	29,246	30,000	-
	<u>88,136,215</u>	<u>92,428,731</u>	<u>93,155,423</u>
Equipment (note 4)	16,423	28,167	39,638
Due from The Terry Fox Research Institute (note 5)	15,394	372,164	5,223
	<u>\$ 88,168,032</u>	<u>\$ 92,829,062</u>	<u>\$ 93,200,284</u>

Liabilities and Fund Balances

Current liabilities:			
Accounts payable and accrued liabilities	\$ 194,903	\$ 215,527	\$ 159,836
Due to Terry Fox Centre	29,426	30,000	-
Due to International cancer research organizations	-	325,370	-
	<u>224,329</u>	<u>570,897</u>	<u>159,836</u>
Due to International cancer research organizations	-	-	332,390
Liability for post retirement benefits other than pensions	410,000	360,000	315,000
Fund balances:			
Invested in equipment	16,423	28,167	39,638
Internally restricted (note 9)	40,000,000	40,000,000	40,000,000
Unrestricted	47,517,280	51,869,998	52,353,420
	<u>87,533,703</u>	<u>91,898,165</u>	<u>92,393,058</u>
Commitments (notes 5, 10 and 11)			
	<u>\$ 88,168,032</u>	<u>\$ 92,829,062</u>	<u>\$ 93,200,284</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

THE TERRY FOX FOUNDATION

Statements of Operations

Years ended March 31, 2013 and 2012

	2013	2012
Revenue:		
Annual giving:		
Canada	\$ 20,975,130	\$ 20,339,107
International	1,555,918	1,252,149
Investment income	3,984,510	2,839,506
Sale of merchandise	547,163	484,314
Bequests and memoriams	294,980	969,129
Government student grants	38,236	57,220
Royalties	10,811	3,123
	<hr/>	<hr/>
	27,406,748	25,944,548
Expenses:		
Fundraising (note 6)	2,869,166	2,881,394
Administration	1,025,845	1,158,342
Cost of merchandise sold	513,656	632,877
Receipting	226,909	223,553
	<hr/>	<hr/>
	4,635,576	4,896,166
Excess of revenue over expenses before distribution of funds	22,771,172	21,048,382
Distribution of funds:		
Canadian Cancer Society	5,298,505	6,934,214
Canadian Institute of Health Research	10,518,976	7,630,483
The Terry Fox Research Institute	9,885,682	5,819,924
International cancer research organizations	1,432,471	1,158,654
	<hr/>	<hr/>
Deficiency of revenue over expenses	\$ (4,364,462)	\$ (494,893)

See accompanying notes to financial statements.

THE TERRY FOX FOUNDATION

Statements of Changes in Net Assets

Years ended March 31, 2013 and 2012

	Invested in equipment	Internally restricted	Unrestricted	Total 2013
Net assets, beginning of year	\$ 28,167	\$ 40,000,000	\$ 51,869,998	\$ 91,898,165
Deficiency of revenue over expenses	(11,914)	-	(4,352,548)	(4,364,462)
Investment in equipment	170	-	(170)	-
Net assets, end of year	\$ 16,423	\$ 40,000,000	\$ 47,517,280	\$ 87,533,703

	Invested in equipment	Internally restricted	Unrestricted	Total 2012
Net assets, beginning of year	\$ 39,638	\$ 40,000,000	\$ 52,353,420	\$ 92,393,058
Deficiency of revenue over expenses	(16,195)	-	(478,698)	(494,893)
Investment in equipment	4,724	-	(4,724)	-
Net assets, end of year	\$ 28,167	\$ 40,000,000	\$ 51,869,998	\$ 91,898,165

See accompanying notes to financial statements.

THE TERRY FOX FOUNDATION

Statements of Cash Flows

Years ended March 31, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	\$ (4,364,462)	\$ (494,893)
Items not involving cash:		
Amortization	11,914	16,196
Unrealized gain on investments	1,284,693	466,711
Changes in non-cash operating working capital:		
Other assets	(27,260)	(29,632)
Funds held in trust	574	(30,000)
Accounts payable and accrued liabilities	(20,624)	55,690
Due to international cancer research organizations	(325,370)	325,370
	<u>(3,440,535)</u>	<u>309,442</u>
Financing:		
Increase (decrease) in due to International cancer research organizations	-	(332,390)
Increase in liability for post retirement benefits other than pensions	50,000	45,000
Advance from (to) the Terry Fox Centre	(574)	30,000
Advances from (to) the Terry Fox Research Institute, net	356,769	(366,941)
	<u>406,195</u>	<u>(624,331)</u>
Investments:		
Decrease in investments	3,971,684	1,691,272
Additions to equipment	(4,347)	(4,724)
Proceeds on disposal of equipment	4,177	-
	<u>3,971,514</u>	<u>1,686,548</u>
Increase in cash	937,174	1,371,659
Cash, beginning of year	5,407,704	4,036,045
Cash, end of year	<u>\$ 6,344,878</u>	<u>\$ 5,407,704</u>

See accompanying notes to financial statements.

THE TERRY FOX FOUNDATION

Notes to Financial Statements

Years ended March 31, 2013, 2012 and 2011

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.

On April 1, 2012, the Foundation adopted Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook. These are the first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations.

In accordance with the transitional provisions in Canadian accounting standards for not-for-profit organizations, the Foundation has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying Canadian accounting standards for not-for-profit organizations.

A summary of transitional adjustments recorded to net assets and deficiency of revenue over expenses is provided in note 12.

THE TERRY FOX FOUNDATION

Notes to Financial Statements (continued)

Years ended March 31, 2013, 2012 and 2011

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook. The Foundation's significant accounting policies are as follows:

(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:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

THE TERRY FOX FOUNDATION

Notes to Financial Statements (continued)

Years ended March 31, 2013, 2012 and 2011

1. Significant accounting policies (continued):

(c) Equipment:

Equipment is stated at cost, less accumulated amortization. Donated equipment is recorded at fair market value when received. Amortization is provided using the straight-line method and following annual rates:

Asset	Rate
Transportation equipment	5 years
Furniture and 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 also provides pension benefits and 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.

THE TERRY FOX FOUNDATION

Notes to Financial Statements (continued)

Years ended March 31, 2013, 2012 and 2011

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:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations which require management estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Significant areas requiring management estimates include accrued liabilities and accrued payroll-related liabilities. Actual results could differ from those estimates.

THE TERRY FOX FOUNDATION

Notes to Financial Statements (continued)

Years ended March 31, 2013, 2012 and 2011

2. Investments:

	Fixed income	Canadian equities	Foreign equities	2013
Investments	\$ 30,799,326	\$ -	\$ -	\$ 30,799,326
Endowments	29,136,885	10,630,782	10,746,458	50,514,124
	\$ 59,936,211	\$ 10,630,782	\$ 10,746,458	\$ 81,313,450

	Fixed income	Canadian equities	Foreign equities	2012
Investments	\$ 39,122,278	\$ -	\$ -	\$ 39,122,278
In trust	325,370	-	-	325,370
Endowments	28,091,589	9,620,878	9,409,712	47,122,179
	\$ 67,539,237	\$ 9,620,878	\$ 9,409,712	\$ 89,569,827

(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.

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

3. Other assets:

	March 31, 2013	March 31, 2012
Sales tax receivable	\$ 154,266	\$ 171,996
Other	146,104	168,390
	\$ 300,370	\$ 340,386

THE TERRY FOX FOUNDATION

Notes to Financial Statements (continued)

Years ended March 31, 2013, 2012 and 2011

4. Equipment:

	March 31, 2013		
	Cost	Accumulated amortization	Net book value
Transportation equipment	\$ 13,688	\$ 12,319	\$ 1,369
Furniture and equipment	128,474	121,420	7,054
Computer equipment	213,621	205,621	8,000
Leasehold improvements	9,192	9,192	-
	<u>\$ 364,975</u>	<u>\$ 348,552</u>	<u>\$ 16,423</u>

	March 31, 2012		
	Cost	Accumulated amortization	Net book value
Transportation equipment	\$ 27,606	\$ 19,324	\$ 8,282
Furniture and equipment	128,474	119,166	9,308
Computer equipment	209,273	198,696	10,577
Leasehold improvements	35,601	35,601	-
	<u>\$ 400,954</u>	<u>\$ 19,324</u>	<u>\$ 28,167</u>

Amortization for the year amounted to \$11,914 (2012 - \$16,196) and is included in fundraising and administration expenses.

THE TERRY FOX FOUNDATION

Notes to Financial Statements (continued)

Years ended March 31, 2013, 2012 and 2011

5. Related party transaction:

During the year, the Foundation distributed funds of \$9,885,682 (2012 - \$5,819,744) to the TFRI. The TFRI then distributed \$8,669,033 (2012 - \$4,506,634) of the total funds received to various institutes for cancer research. The remaining funds were invested or used for administrative expenses by TFRI.

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 \$31,159,289.

The Foundation holds \$29,246 (2012 - \$30,000) in trust for the Terry Fox Centre (TCC).

The Foundation, TFRI and TCC have certain common directors or 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.

6. Fundraising:

Included in fundraising expenses is \$1,787,344 (2012 - \$1,826,604) paid as remuneration to employees whose principal duties involve fundraising.

7. 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 fundraising revenues to be available for cancer research.

THE TERRY FOX FOUNDATION

Notes to Financial Statements (continued)

Years ended March 31, 2013, 2012 and 2011

8. Pension plan:

The Revised Pension Plan for the Employees of the Canadian Cancer Society and Affiliated Organizations had an unfunded liability of \$4,369,600 as of January 31, 2013, 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 \$189,715 (2012 - \$193,815).

9. 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:

	2013	2012
Research Fund	\$ 30,000,000	\$ 30,000,000
Marathon of Hope Legacy Fund	10,000,000	10,000,000
	\$ 40,000,000	\$ 40,000,000

10. Commitments:

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

2014	\$	218,751
2015		174,094
2016		155,197
2017		121,874
2018		107,151
	\$	777,067

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 (continued)

Years ended March 31, 2013, 2012 and 2011

11. 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 over an undefined period of time. 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
2014	\$ 867,965	\$ 1,601,507	\$ 24,256,414	\$ 26,725,886
2015	-	975,000	16,755,721	17,730,721
2016	-	-	10,590,158	10,590,158
2017	-	-	5,620,125	5,620,125
2018	-	-	2,327,081	2,327,081
Thereafter	-	-	375,000	375,000
	\$ 867,965	\$ 2,576,507	\$ 59,924,499	\$ 63,368,971

THE TERRY FOX FOUNDATION

Notes to Financial Statements (continued)

Years ended March 31, 2013, 2012 and 2011

12. Transitional adjustments:

(a) Net assets:

The following summarizes the impact of the transition to Canadian accounting standards for not-for-profit organizations on the Foundation's net assets as of April 1, 2011:

Net assets:	
As previously reported under Canadian generally accepted accounting principles, March 31, 2011	\$ 92,573,336
Adjustment to record investments at fair value	(180,278)
<hr/>	
Restated, April 1, 2011	\$ 92,393,058

In accordance with first time adoption provisions of Canadian accounting standards for not-for-profit organizations, the Foundation has elected to use the following exemptions as at the transition date, April 1, 2011:

(i) Fair value:

The Foundation has elected to measure portfolio investments at fair value at the transition date.

(b) Deficiency of revenues over expenses:

As a result of the above noted elections and the retrospective application of Canadian accounting standards for not-for-profit organizations, the Foundation recorded the following adjustments to deficiency of revenues over expenses for the year ended March 31, 2012:

Deficiency of revenues over expenses:	
As previously reported under Canadian generally accepted accounting principles for the year ended March 31, 2012	\$ (603,999)
Unrealized gain on investments not previously recorded	109,106
<hr/>	
Restated for the year ended March 31, 2012	\$ (494,893)
