

Financial Statements of

**THE TERRY FOX  
FOUNDATION**

Year ended March 31, 2014



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## **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, 2014, 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 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 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 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 audit is sufficient and appropriate to provide a basis for our qualified audit opinion.



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*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, 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, 2014, and its results of operations, changes in net assets and its cash flows for the year then ended 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.

*Other Matter*

This Independent Auditors' Report supersedes the Independent Auditors' Report dated August 11, 2014 previously issued on the Foundation's March 31, 2014 financial statements. The Qualified Opinion paragraph in this Independent Auditors' Report has been amended to include reference to the possible effects of the matter described in the Basis for Qualified Opinion paragraph. Accordingly, the Independent Auditors' Report dated August 11, 2014 has been withdrawn.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Accountants

October 8, 2014

Chilliwack, British Columbia

# THE TERRY FOX FOUNDATION

## Statement of Financial Position

March 31, 2014, with comparative information for 2013

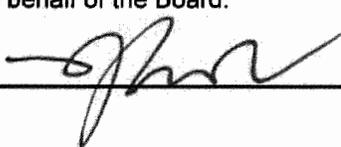
	2014	2013
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 7,179,914	\$ 6,345,058
Investments (note 2)	79,431,257	81,313,450
Merchandise inventory	138,140	148,091
Other assets (note 3)	256,522	300,370
Funds held in trust	-	29,246
	<u>87,005,833</u>	<u>88,136,215</u>
Equipment (note 4)	11,342	16,423
Due from The Terry Fox Research Institute (note 5)	7,757	15,394
	<u>\$ 87,024,932</u>	<u>\$ 88,168,032</u>

## Liabilities and Fund Balances

<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 154,161	\$ 194,903
Due to Terry Fox Centre	9,317	29,426
	<u>163,478</u>	<u>224,329</u>
Liability for post retirement benefits other than pensions	385,000	410,000
<b>Fund balances:</b>		
Invested in equipment	11,342	16,423
Internally restricted (note 9)	40,000,000	40,000,000
Unrestricted	46,465,112	47,517,280
	<u>86,476,454</u>	<u>87,533,703</u>
Commitments (notes 5, 10 and 11)		
	<u>\$ 87,024,932</u>	<u>\$ 88,168,032</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, 2014, with comparative information for 2013

	2014	2013
Revenue:		
Annual giving:		
Canada	\$ 21,995,054	\$ 20,975,130
International	1,533,032	1,555,918
Investment income	5,260,079	3,984,510
Sale of merchandise	551,201	547,163
Bequests and memoriams	273,741	294,980
Government student grants	43,999	38,236
Royalties	10,015	10,811
	<hr/>	<hr/>
	29,667,121	27,406,748
Expenses:		
Fundraising (note 6)	2,846,315	2,869,166
Administration	1,068,626	1,025,845
Cost of merchandise sold	569,203	513,656
Receipting	211,765	226,909
	<hr/>	<hr/>
	4,695,909	4,635,576
Excess of revenue over expenses before distribution of funds	24,971,212	22,771,172
Distribution of funds:		
Canadian Cancer Society	1,175,934	5,298,505
Canadian Institute of Health Research	1,611,507	10,518,976
The Terry Fox Research Institute	21,792,963	9,885,682
International cancer research organizations	1,448,057	1,432,471
	<hr/>	<hr/>
Deficiency of revenue over expenses	\$ (1,057,249)	\$ (4,364,462)

See accompanying notes to financial statements.

# THE TERRY FOX FOUNDATION

## Statement of Changes in Net Assets

Year ended March 31, 2014, with comparative information for 2013

	Invested in equipment	Internally restricted	Unrestricted	Total 2014	Total 2013
Net assets, beginning of year	\$ 16,423	\$ 40,000,000	\$ 47,517,280	\$ 87,533,703	\$ 91,898,165
Deficiency of revenue over expenses	(12,150)	-	(1,045,099)	(1,057,249)	(4,364,462)
Investment in equipment	7,069	-	(7,069)	-	-
Net assets, end of year	\$ 11,342	\$ 40,000,000	\$ 46,465,112	\$ 86,476,454	\$ 87,533,703

See accompanying notes to financial statements.

# THE TERRY FOX FOUNDATION

## Statement of Cash Flows

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	\$ (1,057,249)	\$ (4,364,462)
Items not involving cash:		
Amortization	12,150	11,914
Unrealized gain on investments	(2,502,128)	(1,284,693)
Changes in non-cash operating working capital:		
Other assets	53,799	(27,260)
Funds held in trust	29,246	754
Accounts payable and accrued liabilities	(40,742)	(20,624)
Due to international cancer research organizations	-	(325,370)
	<u>(3,504,924)</u>	<u>(6,009,741)</u>
Financing:		
Increase (decrease) in liability for post retirement benefits other than pensions	(25,000)	50,000
Advance to the Terry Fox Centre	(20,109)	(574)
Advances from the Terry Fox Research Institute, net	7,637	356,769
	<u>(37,472)</u>	<u>406,195</u>
Investments:		
Net proceeds from sale of investments	4,384,321	6,541,070
Additions to equipment	(7,069)	(4,347)
Proceeds on disposal of equipment	-	4,177
	<u>4,377,252</u>	<u>6,540,900</u>
Increase in cash	834,856	937,354
Cash, beginning of year	6,345,058	5,407,704
Cash, end of year	<u>\$ 7,179,914</u>	<u>\$ 6,345,058</u>

See accompanying notes to financial statements.

# THE TERRY FOX FOUNDATION

Notes to Financial Statements

Year ended March 31, 2014

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## **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:**

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 - Accounting. 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.

# THE TERRY FOX FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

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## 1. Significant accounting policies (continued):

### (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 elected to carry its investments 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.

### (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:

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Asset	Rate
Transportation equipment	5 years
Furniture and equipment	5 years
Computer equipment	3 years
Leasehold improvements	5 years

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# THE TERRY FOX FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

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## 1. Significant accounting policies (continued):

### (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)

Year ended March 31, 2014

## 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.

## 2. Investments:

	Fixed income	Canadian equities	Foreign equities	2014	2013
Research funds	\$ 24,070,281	\$ -	\$ -	\$ 24,070,281	\$ 30,799,326
Endowments	29,507,377	12,672,841	13,180,758	55,360,976	50,514,124
	\$ 53,577,658	\$ 12,672,841	\$ 13,180,758	\$ 79,431,257	\$ 81,313,450

(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.

# THE TERRY FOX FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

### 3. Other assets:

	2014		2013	
Sales tax receivable	\$	158,548	\$	154,266
Other		97,974		146,104
	\$	256,522	\$	300,370

### 4. Equipment:

	2014		2013	
	Cost	Accumulated amortization	Net book value	Net book value
Transportation equipment	\$ 13,688	\$ 13,688	\$ -	\$ 1,369
Furniture and equipment	128,474	125,684	2,790	7,054
Computer equipment	220,158	212,085	8,073	8,000
Leasehold improvements	9,725	9,245	479	-
	\$ 372,045	\$ 360,702	\$ 11,342	\$ 16,423

Amortization for the year amounted to \$12,150 (2013 - \$11,914) and is included in fundraising and administration expenses.

# THE TERRY FOX FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

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## 5. Related party transactions:

During the year, the Foundation distributed funds of \$21,792,963 (2013 - \$9,885,682) to the TFRI. The TFRI then distributed \$20,493,819 (2013 - \$8,669,033) 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 \$52,952,252.

The Foundation and 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.

## 6. Fundraising:

Included in fundraising expenses is \$1,779,546 (2013 - \$1,787,344) 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.

## 8. Pension plan:

The Revised Pension Plan for the Employees of the Canadian Cancer Society and Affiliated Organizations had an unfunded liability of \$3,642,300 as of January 31, 2014, 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 \$256,503 (2013 - \$189,715).

# THE TERRY FOX FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

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## 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:

	2014	2013
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>

## 10. Commitments:

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

2015	\$	219,902
2016		201,199
2017		164,345
2018		111,931
2019		107,899
	<u>\$</u>	<u>805,276</u>

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)

Year ended March 31, 2014

## 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.

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 Institutes of Health Research	The Terry Fox Research Institute (operations)	The Terry Fox Research Institute (research)	Total
2015	\$ 1,624,118	\$ 975,000	\$ 21,664,338	\$ 24,263,456
2016	1,625,300	-	18,491,307	20,116,607
2017	1,449,966	-	10,868,108	12,318,074
2018	1,332,544	-	5,762,744	7,095,288
2019	1,250,357	-	2,189,420	3,439,777
Thereafter	-	-	547,892	547,892
	\$ 7,282,285	\$ 975,000	\$ 59,523,809	\$ 67,781,094