

Financial Statements of

NORTHERN CANCER FOUNDATION

And Independent Auditors' report thereon

Year ended March 31, 2020



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INDEPENDENT AUDITORS' REPORT

To the Board Members of Northern Cancer Foundation

Qualified Opinion

We have audited the financial statements of Northern Cancer Foundation (the Entity), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes and schedules to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, except for the possible effects of the matter described in the “***Basis for Qualified Opinion***” section of our auditors’ report, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Entity derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statement of financial position as at March 31, 2020 and March 31, 2019.
- the fundraising and donation revenues and excess of revenues over expenses reported in the statement of operations and changes in fund balances for the years ended March 31, 2020 and March 31, 2019.



- the fund balances, at the beginning and end of the year, reported in the statement of operations and changes in fund balances for the years ended March 31, 2020 and March 31, 2019.
- the excess of revenues over expenses reported in the statement of cash flows for the years ended March 31, 2020 and March 31, 2019.

Our opinion on the financial statements for the year ended March 31, 2019 was qualified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “**Auditors’ Responsibilities for the Audit of the Financial Statements**” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our qualified opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly wavy line that underlines the text.

Chartered Professional Accountants, Licensed Public Accountants
Sudbury, Canada
June 18, 2020

NORTHERN CANCER FOUNDATION

Statement of Financial Position

March 31, 2020, with comparative information for 2019

| | 2020 | 2019 |
|--|---------------------|------------------|
| Assets | | |
| Current assets: | | |
| Cash and deposit receipts | \$ 2,359,810 | 3,240,995 |
| Investments (note 2) | 2,377,568 | 2,491,213 |
| Accounts receivable | 46,326 | 83,559 |
| Prepaid expenses | 24,230 | 17,380 |
| | <u>4,807,934</u> | <u>5,833,147</u> |
| Investments (note 2) | 1,362,654 | 1,593,686 |
| | <u>\$ 6,170,588</u> | <u>7,426,833</u> |
| Liabilities and Fund Balances | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 10,000 | 10,000 |
| Payable to Health Sciences North | 438,725 | 752,782 |
| Payable for PET scanner (note 4) | 700,000 | - |
| | <u>1,148,725</u> | <u>762,782</u> |
| Payable for PET scanner (note 4) | 399,487 | - |
| Fund balances: | | |
| Unrestricted | 1,902,771 | 1,752,994 |
| Restricted and endowments | 2,719,605 | 4,911,057 |
| | <u>4,622,376</u> | <u>6,664,051</u> |
| | <u>\$ 6,170,588</u> | <u>7,426,833</u> |

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

NORTHERN CANCER FOUNDATION

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2020, with comparative information for 2019

| | Unrestricted | | Restricted and Endowment | | Total | Total |
|--|--------------|-----------|--------------------------|-----------|-------------|-----------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Revenue: | | | | | | |
| Community donations | \$ 1,051,914 | 685,412 | 402,927 | 390,033 | 1,454,841 | 1,075,445 |
| City of Greater Sudbury | - | - | 300,866 | 300,866 | 300,866 | 300,866 |
| Bereavement | 193,221 | 144,326 | - | - | 193,221 | 144,326 |
| Partner events | 92,980 | 121,606 | 73,722 | 76,014 | 166,702 | 197,620 |
| Signature events | 162,565 | 108,475 | - | - | 162,565 | 108,475 |
| Investment income | - | 144,737 | - | 52,746 | - | 197,483 |
| | 1,500,680 | 1,204,556 | 777,515 | 819,659 | 2,278,195 | 2,024,215 |
| Expenses: | | | | | | |
| Capital grants and equipment | 501,131 | 208,298 | 2,147,548 | 301,896 | 2,648,679 | 510,194 |
| Research grants | 577,581 | 719,432 | 14,836 | 4,904 | 592,417 | 724,336 |
| Wages and benefits | 364,167 | 359,673 | 45,000 | 50,000 | 409,167 | 409,673 |
| Patient support | 17,511 | 26,126 | 241,569 | 123,087 | 259,080 | 149,213 |
| Fundraising and partner events | 137,173 | 52,998 | 8,654 | 4,565 | 145,827 | 57,563 |
| Administrative (schedule) | 109,011 | 103,193 | - | - | 109,011 | 103,193 |
| Investment loss | 71,176 | - | - | - | 71,176 | - |
| Signature events | 56,525 | 33,988 | - | - | 56,525 | 33,988 |
| Volunteers | 5,886 | 16,113 | 21,102 | - | 26,988 | 16,113 |
| Student bursaries | 1,000 | 6,500 | - | 2,000 | 1,000 | 8,500 |
| | 1,841,161 | 1,526,321 | 2,478,709 | 486,452 | 4,319,870 | 2,012,773 |
| Excess (deficiency) of revenue over expenses | (340,481) | (321,765) | (1,701,194) | 333,207 | (2,041,675) | 11,442 |
| Fund balances, beginning of year | 1,752,994 | 2,074,759 | 4,911,057 | 4,577,850 | 6,664,051 | 6,652,609 |
| Inter-fund transfer | 490,258 | - | (490,258) | - | - | - |
| Fund balances, end of year | \$ 1,902,771 | 1,752,994 | 2,719,605 | 4,911,057 | 4,622,376 | 6,664,051 |

See accompanying notes to financial statements.

NORTHERN CANCER FOUNDATION

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

| | 2020 | 2019 |
|---|----------------|-----------|
| Cash flows from operating activities: | | |
| Excess (deficiency) of revenue over expenses | \$ (2,041,675) | 11,442 |
| Change in non-cash working capital: | | |
| Decrease (increase) in accounts receivable | 37,233 | (42,240) |
| Increase in prepaid expenses | (6,850) | (2,633) |
| Decrease in payable to Health Sciences North | (314,057) | (12,238) |
| | (2,325,349) | (45,669) |
| Cash flows from investing activities: | | |
| Net decrease (increase) in value of investments | 344,677 | (144,974) |
| Cash flows from financing activities: | | |
| Increase in long-term debt | 1,099,487 | - |
| Net decrease in cash and deposit receipts | (881,185) | (190,643) |
| Cash and deposit receipts, beginning of year | 3,240,995 | 3,431,638 |
| Cash and deposit receipts, end of year | \$ 2,359,810 | 3,240,995 |

See accompanying notes to financial statements.

NORTHERN CANCER FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

The Northern Cancer Foundation (the “Foundation”), formerly Northern Cancer Research Foundation, was incorporated without share capital under the laws of Ontario in March 1992 to support cancer programs in Northeastern Ontario.

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 CPA Canada Handbook.

(a) Basis of presentation:

As the Foundation receives funding for various purposes, the accounts are maintained in a manner which segregates transactions according to the following funds:

- Restricted funds, the expenditure of which is restricted by the donor according to the fund descriptions as shown on the Statement of Operations and Changes in Fund Balances.
- Endowment funds reflect contributions where only the related investment income can be expended. This investment income is reflected in the unrestricted fund. These funds are, in some cases, an accumulation of balances for various specified research and care purposes.
- Unrestricted fund, which represents unrestricted funds received from donations, fundraising activities and other sources. Expenditures made from this fund are at the discretion of the Foundation and include those relating to day-to-day operations.

(b) Revenue recognition:

The Foundation follows the restricted fund method of accounting. Under this method, the following principles have been applied:

- Contributions are recorded as revenue in the respective funds based on their nature, source and the restrictions stipulated by the donor.
- With the exception of pledges, contributions are recognized as revenue when received or receivable if the amounts can be estimated and collection is assured. Pledges are recognized as revenue on receipt.

(c) Investments:

Investments consisting of pooled funds, term deposits and publicly-traded shares are recorded at market value.

Shares in private corporations are carried at cost. Should there be a definitive indication that the cost of shares in a private corporation exceeds market value, they would be written down at that time.

NORTHERN CANCER FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(d) 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.

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 period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

2. Investments:

| | 2020 | 2019 |
|---------------------------|--------------|-----------|
| Current: | | |
| Pooled funds | \$ 2,377,568 | 2,491,213 |
| Long-term: | | |
| Term deposits | \$ 532,669 | 763,801 |
| Endowments – pooled funds | 669,985 | 669,885 |
| Shares in RNA Diagnostics | 160,000 | 160,000 |
| | \$ 1,362,654 | 1,593,686 |

3. City of Greater Sudbury contributions:

The grants from the City of Greater Sudbury (“the City”) of \$300,866 (2019 – \$300,866) are contributions to the Foundation towards the City’s pledge for the purpose of capital expansion at the Regional Cancer Centre of \$7,050,000 over 21.7 years. The amount of \$1,113,203 remains to be received. These amounts flow through the restricted fund.

NORTHERN CANCER FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

4. Payable for PET scanner:

Long-term debt consists of an amount payable to Health Sciences North for the Foundation's contribution towards the purchase of a PET scanner. The long-term debt is not interest bearing and is unsecured. Principal repayments are scheduled as follows:

| | | |
|------|----|---------|
| 2021 | \$ | 700,000 |
| 2022 | | 100,000 |
| 2023 | | 100,000 |
| 2024 | | 100,000 |
| 2025 | | 99,487 |

5. Financial risks:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Foundation deals with creditworthy counterparties to mitigate the risk of financial loss from defaults. The Foundation monitors the credit risk of customers through credit rating reviews.

(b) Liquidity risk:

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements. The Foundation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2019.

6. Endowments:

Monies have been donated to the Foundation with no related expenditures. These amounts represent endowments where investment income only may be expended. Investment income is reflected in the unrestricted fund.

7. Restricted funds:

The restricted funds listed are, in some cases, an accumulation of balances. Included in the restricted research balance are funds for research in the areas of leukemia, prostate cancer, lung cancer, breast cancer and stem cell. Patient care incorporates funds for breast screening, chemotherapy and radiation. Other restricted funds include funds specified for children and for breast cancer support.

NORTHERN CANCER FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

8. Effects of COVID-19:

In March of 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the Foundation has experienced the following indicators of financial implications and undertaken the following activities in relation to the pandemic:

- Temporary declines in the fair value of investments
- Deferral or cancellation of fundraising events

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditor's report which provide additional evidence relating to conditions that existed at year-end. Management has assessed the financial impacts and there are no additional adjustments required to the financial statements at this time.

9. Comparative information:

Certain comparative information has been reclassified from those previously presented to conform to the presentation of the 2020 financial statements.

NORTHERN CANCER FOUNDATION

Schedule of Administrative Expenses

Year ended March 31, 2020, with comparative information for 2019

| | 2020 | 2019 |
|--------------------------------------|------------|---------|
| Professional and investment services | \$ 31,991 | 18,281 |
| Computer and website | 21,470 | 21,294 |
| Office supplies | 19,771 | 18,559 |
| Donor recognition | 11,153 | 4,675 |
| Insurance | 8,805 | 5,710 |
| Interest and bank charges | 7,640 | 6,464 |
| Advertising | 3,807 | 12,778 |
| Travel and hospitality | 3,427 | 4,608 |
| Cost of merchandise | 607 | 1,320 |
| Professional development | 210 | 8,667 |
| Postage | 130 | 837 |
| | \$ 109,011 | 103,193 |

NORTHERN CANCER FOUNDATION

Schedule of Continuity of Restricted and Endowment Funds

Year ended March 31, 2020, with comparative information for 2019

| Restricted Funds | Sam Bruno PET Scan | Chair in Cancer Research | Daffodil Terrace | Research and Other (note 6) | 2020 Total | 2019 Total |
|--|-----------------------|--------------------------------|---------------------|-----------------------------------|---------------|---------------|
| Revenue: | | | | | | |
| Community donations and partner events | \$ 15,365 | - | 25,318 | 435,866 | 476,549 | 465,847 |
| City of Greater Sudbury (note 3) | - | - | - | 300,866 | 300,866 | 300,866 |
| Interest and other | - | - | - | - | - | 52,746 |
| | 15,365 | - | 25,318 | 736,732 | 777,415 | 819,459 |
| Expenses: | | | | | | |
| Research, capital and specific grants | 1,846,328 | - | - | 300,866 | 2,147,194 | 301,093 |
| Patient support | - | - | 28,375 | 213,209 | 241,584 | 123,894 |
| Patient equipment | - | - | - | 14,836 | 14,836 | 4,904 |
| Events, fundraising and other costs | - | - | - | 75,095 | 75,095 | 56,561 |
| | 1,846,328 | - | 28,375 | 604,006 | 2,478,709 | 486,452 |
| Excess (deficiency) of revenue over expenses | (1,830,963) | - | (3,057) | 132,726 | (1,701,294) | 333,007 |
| Restricted fund balances, beginning of year | 1,830,963 | 490,258 | 356,949 | 1,563,001 | 4,241,171 | 3,908,164 |
| Inter-fund transfer | - | (490,258) | - | - | (490,258) | - |
| Restricted fund balances, end of year | - | - | 353,892 | 1,695,727 | 2,049,619 | 4,241,171 |
| Endowment funds | | | | | | |
| Revenue: | | | | | | |
| Community donations | | | | | 100 | 200 |
| Endowment funds, beginning of year | | | | | 669,886 | 669,686 |
| Endowment funds, end of year | | | | | 669,986 | 669,886 |
| | | | | | \$ 2,719,605 | 4,911,057 |