

Financial Statements of

**NORTHERN CANCER FOUNDATION**

And Independent Auditors' report thereon

Year ended March 31, 2021



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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, 2021
- 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 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, 2021, 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, 2021 and March 31, 2020.
- 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, 2021 and March 31, 2020.



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- 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, 2021 and March 31, 2020.
- the excess of revenues over expenses reported in the statement of cash flows for the years ended March 31, 2021 and March 31, 2020.

Our opinion on the financial statements for the year ended March 31, 2020 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.



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- 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.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants  
Sudbury, Canada  
June 10, 2021

# NORTHERN CANCER FOUNDATION

## Statement of Financial Position

March 31, 2021, with comparative information for 2020

	Unrestricted	Restricted	Endowment	2021	2020
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 1,644,767	\$ -	\$ -	\$ 1,644,767	\$ 2,757,460
Accounts receivable (note 9)	60,476	478,886	-	539,362	46,346
Prepaid expenses	14,990	-	-	14,990	24,229
	<u>1,720,233</u>	<u>478,886</u>	<u>-</u>	<u>2,199,119</u>	<u>2,828,035</u>
Investments (note 2)	3,168,189	-	670,085	3,838,274	3,342,553
Inter-fund balances	(2,360,024)	2,360,024	-	-	-
	<u>\$ 2,528,398</u>	<u>\$ 2,838,910</u>	<u>\$ 670,085</u>	<u>\$ 6,037,393</u>	<u>\$ 6,170,588</u>

## Liabilities and Fund Balances

Current liabilities:					
Accounts payable and accrued liabilities	\$ 65,990	\$ -	\$ -	\$ 65,990	\$ 10,000
Due to Health Sciences North (note 3)	168,204	112,519	-	280,723	438,725
Current portion of long-term debt (note 5)	-	100,000	-	100,000	699,487
	<u>234,194</u>	<u>212,519</u>	<u>-</u>	<u>446,713</u>	<u>1,148,212</u>
Long-term debt (note 5)	-	300,000	-	300,000	400,000
	<u>234,194</u>	<u>512,519</u>	<u>-</u>	<u>746,713</u>	<u>1,548,212</u>
Fund balances:					
Unrestricted	2,294,204	-	-	2,294,204	1,902,771
Restricted (note 6)	-	2,326,391	-	2,326,391	2,049,620
Endowment (note 7)	-	-	670,085	670,085	669,985
	<u>2,294,204</u>	<u>2,326,391</u>	<u>670,085</u>	<u>5,290,680</u>	<u>4,622,376</u>
	<u>\$ 2,528,398</u>	<u>\$ 2,838,910</u>	<u>\$ 670,085</u>	<u>\$ 6,037,393</u>	<u>\$ 6,170,588</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, 2021, with comparative information for 2020

	Unrestricted	Restricted	Endowment	Total 2021	Total 2020
<b>Revenue:</b>					
Donations	\$ 640,536	\$ 436,609	\$ 100	\$ 1,077,245	\$ 1,522,699
Contribution from HSN 50/50 Cash Lottery for the North	-	478,885	-	478,885	-
Government payroll assistance and subsidies	169,188	-	-	169,188	-
Fundraising and events	92,503	11,784	-	104,287	454,800
	902,227	927,278	100	1,829,605	1,977,499
<b>Expenses:</b>					
Salaries and benefits	433,497	-	-	433,497	409,167
Fundraising	61,094	3,884	-	64,978	205,318
Office and general	43,249	-	-	43,249	67,817
Donor recognition	27,714	-	-	27,714	11,153
Professional fees	20,557	-	-	20,557	25,804
Transaction fees and bank charges	10,217	-	-	10,217	12,805
Travel and training	3,641	-	-	3,641	3,635
	599,969	3,884	-	603,853	735,699
Excess (deficiency) of revenue over expenses before undernoted items	302,258	923,394	100	1,225,752	1,241,800
Unrealized gain (loss) on investments	446,811	-	-	446,811	(225,337)
Municipal grants and contributions (note 4)	-	300,866	-	300,866	300,866
Interest and dividends	243,712	-	-	243,712	154,164
Investment fees	(13,521)	-	-	(13,521)	(6,186)
Impairment loss on investment (note 2)	(159,999)	-	-	(159,999)	-
Excess (deficiency) of revenue over expenses before charitable distributions	819,261	1,224,260	100	2,043,621	1,465,307
Gifts to Health Sciences North and Health Sciences North Research Institute	(369,127)	(920,718)	-	(1,289,845)	(3,293,946)
Charitable programs	(18,442)	(67,030)	-	(85,472)	(213,036)
Excess (deficiency) of revenue over expenses	431,692	236,512	100	668,304	(2,041,675)
Fund balances, beginning of year	1,902,771	2,049,620	669,985	4,622,376	6,664,051
Inter-fund transfer	(40,259)	40,259	-	-	-
Fund balances, end of year	\$ 2,294,204	\$ 2,326,391	\$ 670,085	\$ 5,290,680	\$ 4,622,376

See accompanying notes to financial statements.

# NORTHERN CANCER FOUNDATION

## Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	\$ 668,304	\$ (2,041,675)
Item not involving cash		
Unrealized loss (gain) on investments	(446,811)	225,337
Impairment loss on investments	159,999	-
	381,492	(1,816,338)
Change in non-cash working capital:		
Decrease (increase) in accounts receivable	(493,016)	37,233
Decrease (increase) in prepaid expenses	9,239	(6,850)
Increase in accounts payable and accrued liabilities	55,990	-
Decrease in payable to Health Sciences North	(158,002)	(314,076)
	(204,297)	(2,100,031)
Cash flows from investing activities:		
Purchase of investments	(208,909)	(111,792)
Cash flows from financing activities:		
Increase in long-term debt	-	1,099,487
Repayment of long-term debt	(699,487)	-
	(699,487)	1,099,487
Net decrease in cash and deposit receipts	(1,112,693)	(1,112,336)
Cash and cash equivalents, beginning of year	2,757,460	3,869,796
Cash and cash equivalents, end of year	\$ 1,644,767	\$ 2,757,460

See accompanying notes to financial statements.

# NORTHERN CANCER FOUNDATION

Notes to Financial Statements

Year ended March 31, 2021

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## Status and Purpose of the Foundation

The Northern Cancer Foundation (the "Foundation"), formerly Northern Cancer Research Foundation, was established to collect, accumulate and distribute funds for the benefit of cancer-related programs in Northeastern Ontario. The Foundation is a registered charity incorporated without share capital under the laws of the province of Ontario and is exempt from income tax under the Income Tax Act (Canada).

### 1. Significant accounting policies:

These financial statements are prepared in accordance with Part III of the CPA Canada Handbook - Accounting, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

#### (a) Basis of presentation:

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors. To meet these objectives of financial reporting and stewardship over assets, certain inter-fund transfers are necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. Transfers between the funds are made when it is considered appropriate and when appropriately authorized. These inter-fund transfers are recorded in the statement of operations and changes in fund balances.

For financial reporting purposes, the accounts have been classified into the following funds:

- The Unrestricted Fund, which accounts for the Foundation's general fundraising, granting and administrative activities. The Unrestricted Fund reports unrestricted resources available for immediate purposes.
- The Restricted Fund, which includes those funds where resources are to be used for an identified purpose as specified by the donor, as stipulated by the fundraising appeal or as determined by the Board.
- The Endowment Fund, which includes those funds where either donor or internal restrictions require that the principal be invested by the Foundation permanently.

# NORTHERN CANCER FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## 1. Significant accounting policies (continued):

### (b) Revenue recognition:

The Foundation follows the restricted fund method of accounting for contributions. Contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recognized as revenue in the Unrestricted Fund. Restricted contributions are recognized as revenue in their respective restricted fund, unless the principal is to be maintained, in which case the contribution is recognized as revenue in the Endowment Fund. Fundraising and event-related revenues are recognized when the underlying event occurs. Government payroll assistance and subsidies are recognized as revenue in the Unrestricted Fund. In-kind contributions of assets are recognized at their fair market value, while contributions of services are not recognized.

Investment income includes dividend and interest income, unrealized and realized gains or losses and investment management fees and related expenses. Investment income earned on the Unrestricted, Restricted and Endowment Funds are recognized as revenue of the Unrestricted Fund. Investment losses are recorded in a manner consistent with investment income.

### (c) Cash and cash equivalents

Cash and cash equivalents consist of cash deposits and short-term investments available to be cashed on demand. Cash and investments meeting the definition of cash and cash equivalents that are held for investing rather than liquidity purposes are classified as investments.

### (d) Financial Instruments:

Financial instruments are recorded at fair market 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 an election is made 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 any indicators of impairment exist. 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 amount or timing of future 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.

# NORTHERN CANCER FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 1. Significant accounting policies (continued):

### (e) Accounting estimates

The preparation of financial statements in conformity with Part III of the CPA Canada Handbook - Accounting, which sets out generally accepted accounting principles for not-for-profit organizations in Canada, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### (f) Government assistance

Government assistance received or receivable as a result of the Government of Canada COVID-19 response programs are accounted for as operating grants and are recognized as either revenue or a reduction of the capital cost of the related asset or related expense in the period in which they are earned when there is reasonable assurance that the company has complied and will continue to comply with the conditions associated with the assistance.

## 2. Investments:

Investments consist of the following balances:

	2021	2020
Pooled funds	\$ 3,168,188	\$ 2,512,568
Endowments – pooled funds	535,085	534,985
Endowments – term deposits	135,000	135,000
Shares held in a private corporation	1	160,000
	<u>\$ 3,838,274</u>	<u>\$ 3,342,553</u>

At December 31, 2020, the Foundation determined that its investment in shares held in a privately held corporation were impaired and the investment was written down to its estimated net realizable value.

## 3. Due to Health Sciences North:

Included in accounts payable and accrued liabilities are amounts owing to Health Sciences North. Health Sciences North is a public hospital and is independent of the Foundation. The Foundation raises funds of behalf of Health Sciences North to support the purchase of equipment, fund operations and support research activities.

Health Sciences North provides office space and related occupancy costs to the Foundation at no charge.

# NORTHERN CANCER FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

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### 3. Due to Health Sciences North (continued):

The Foundation reimbursed Health Sciences North for salaries and benefits of \$14,700 (2020 - \$Nil) associated with Health Sciences North staff working at the Foundation.

At March 31, 2021 the Foundation owes Health Sciences North \$280,723 (2020 - \$438,725). These amounts do not bear interest and are due on demand with no scheduled repayments.

During the course of the year, the Foundation gifted \$839,845 (2020 - \$2,718,946) to Health Sciences North, and \$450,000 (2020 - \$575,000) to Health Sciences North Research Institute.

### 4. Municipal grants and contributions:

Municipal grants and contributions consist of amounts received from the City of Greater Sudbury of \$300,866 (2020 - \$300,866) in relation to a pledge to the Heart and Soul Campaign for the purpose of capital expansion at the Regional Cancer Centre. The original value of the pledge was \$7,050,000 and was to be received over 21.7 years. An amount of \$812,337 remains to be received under this pledge over the next 2.7 years.

### 5. Long-term debt:

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 amount is non-interest bearing and is unsecured. Principal repayments are scheduled as follows:

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2022	\$	100,000
2023		100,000
2024		100,000
2025		100,000
	\$	400,000

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# NORTHERN CANCER FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 6. Restricted funds:

Restricted funds consist of the following balances:

2021	Balance, beginning of year	Revenues	Expenses	Transfers/Other	Balance, end of year
Capital, research and operations	\$ 1,637,360	1,144,957	(924,602)	40,259	1,897,974
Charitable and patient support	412,260	83,187	(67,030)	-	428,417
	\$ 2,049,620	1,228,144	(991,632)	40,259	2,326,391

2020	Balance, beginning of year	Revenues	Expenses	Transfers/Other	Balance, end of year
Capital, research and operations	\$ 3,852,152	461,909	(2,186,443)	(490,258)	1,637,360
Charitable and patient support	389,021	315,508	(292,269)	-	412,260
	\$ 4,241,173	777,417	(2,478,712)	(490,258)	2,049,620

## 7. Endowment funds:

Endowment funds consist of the following balances:

2021	Balance, beginning of year	Revenues	Expenses	Transfers/Other	Balance, end of year
Operational	\$ 529,963	-	-	-	529,963
Charitable and patient support	140,022	100	-	-	140,122
	\$ 669,985	100	-	-	670,085

2020	Balance, beginning of year	Revenues	Expenses	Transfers/Other	Balance, end of year
Operational	\$ 529,963	-	-	-	529,963
Charitable and patient support	139,922	100	-	-	140,022
	\$ 669,885	100	-	-	669,985

# NORTHERN CANCER FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## 8. Financial instruments:

The Foundation is exposed to various financial risks through transactions in financial instruments.

### a) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge a financial obligation and cause the other party to incur a financial loss. The Foundation is exposed to this risk relating to its cash and cash equivalents, accounts receivable and investments.

The Foundation holds its cash and cash equivalents and investments with a large reputable financial institution in order to minimize risk.

The Foundation is exposed to credit risk in accounts receivable which is mainly comprised of receivables from governments as well as other charitable organizations. The Foundation minimizes this risk through management's ongoing analysis and monitoring of amounts due to the Foundation, and measures its exposure based on how long amounts have been outstanding.

The Foundation is also exposed to credit risk through its investments. The Foundation has developed policies which limit exposure to any one asset, invest through a large reputable institution and regularly monitor investment performance.

There have been no significant changes from the previous year in the exposure to this risk.

### b) Liquidity risk:

Liquidity risk is the risk that an organization cannot repay its obligations when they have become due to its creditors. The Foundation is exposed to this risk relating to its accounts payable and accrued liabilities. The Foundation reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and maintains an adequate amount of working capital to repay creditors as and when required.

There have been no significant changes from the previous year in the exposure to this risk.

### c) Market risk:

Market risk is the risk that the fair value of an investment or future cash flows will be impacted by changes in market factors. These factors can be caused by changes in an underlying investment or factors affecting the market as a whole. The Foundation is exposed to market risk associated with certain of its investments. The fair market value of these investments fluctuate over time due to a variety of financial market factors. During the year, the Foundation continued to manage and control its exposure to market risk within its set policy parameters while maximizing investment returns.

There have been no significant changes from the previous year in the exposure to this risk.

# NORTHERN CANCER FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## 8. Financial instruments (continued):

### d) Other risks:

The Foundation's main sources of revenue are donations, fundraising and investment income. In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. The Foundation halted in-person activity and closed its office space to staff and the public for a period of time and began delivering fundraising events in a virtual environment based on recommendations from Public Health Ontario. The office space was re-opened in the summer of 2020, with social distancing requirements and Public Health regulations followed.

In response to the adverse impact the pandemic has had on certain revenue streams, the Foundation has undertaken certain cost cutting measures. The Federal government has provided financial relief in the form of the Canada Emergency Wage Subsidy (CEWS) in the amount of \$169,188. These subsidies are considered to be grants and will not be repaid as long as the entity meets certain terms and conditions specified by the government of Canada. These subsidies are subject to audit by the government with adjustments, if any, repayable to the government. Audit adjustments are recognized in the accounts in the year in which they become known. Management believes that it is currently in compliance with all terms and conditions of the CEWS program.

The impact of COVID-19 is expected to negatively impact operations for a duration that cannot be reasonably estimated. The further overall operational and financial impact is highly dependent on the duration of COVID-19, including the potential occurrence of additional waves of the pandemic, and could be affected by other factors that are currently not known at this time. Management is actively monitoring the effect of the pandemic on its financial condition, liquidity, operations, suppliers and workforce. Given the daily evolution of the pandemic and the global responses to curb its spread, the Foundation is not able to fully estimate the effects of the pandemic on its results of operations, financial condition, or liquidity at this time.

## 9. Entities with common elements:

The Foundation shares common elements of management with the following entities:

- Health Sciences North Foundation
- The NEO Kids Foundation
- Health Sciences North Volunteer Association

Each entity is independent of the other, with their own governance structure consisting of a Board of Directors. Management reports directly to each of the Boards with respect to the entity's activities.

During the year, the Foundation received a contribution from Health Sciences North Foundation through the HSN 50/50 Cash Lottery for the North of \$478,885. Included in accounts receivable is \$478,885 related to this contribution.

## 10. Comparative information:

Certain comparative information have been reclassified from statements previously presented to conform to the presentation of the 2021 financial statements.