

Financial Statements of

**THE TERRY FOX RESEARCH
INSTITUTE**

Year ended March 31, 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 Research Institute

Report on the Financial Statements

We have audited the accompanying financial statements of The Terry Fox Research Institute, which comprise the statement of financial position as at March 31, 2012, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



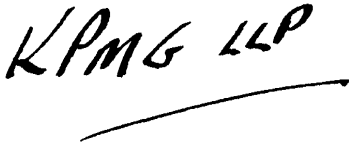
Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with the Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

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

KPMG LLP

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that extends to the right.

Chartered Accountants

Chilliwack, British Columbia
August 10, 2012

THE TERRY FOX RESEARCH INSTITUTE

Statement of Financial Position

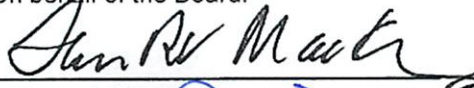
March 31, 2012, with comparative figures for 2011

	2012	2011
Assets		
Current assets:		
Cash and short-term investment (Note 3)	\$ 694,270	\$ 631,586
Accrued interest	1,248	1,241
Other assets	114,734	31,636
	<u>810,252</u>	<u>664,463</u>
Equipment (Note 4)	16,700	27,999
	<u>\$ 826,952</u>	<u>\$ 692,462</u>

Liabilities and Net Assets

Current liability:		
Accounts payable and accrued liabilities	\$ 217,052	\$ 210,679
Due to The Terry Fox Foundation (Note 6)	372,164	5,223
Deferred contributions (Note 5)	-	269,492
Net assets:		
Invested in equipment	16,700	27,999
Unrestricted	221,036	179,069
	<u>237,736</u>	<u>207,068</u>
Commitments (Note 7)		
	<u>\$ 826,952</u>	<u>\$ 692,462</u>

On behalf of the Board:

 Director

 Director

See accompanying notes to financial statements.

THE TERRY FOX RESEARCH INSTITUTE

Statement of Operations

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

	2012	2011
Revenue:		
Research Funding:		
The Terry Fox Foundation (Note 6)	\$ 5,819,924	\$ 6,090,000
Canadian Partnership Against Cancer (Note 5)	2,458,117	2,808,883
Donations	89,209	86,359
Interest income	4,236	4,936
Government student grants	12,569	2,306
	<u>8,384,055</u>	<u>8,992,484</u>
Cancer research grants provided	<u>7,116,345</u>	<u>7,747,692</u>
	<u>1,267,710</u>	<u>1,244,792</u>
Administrative expenses:		
Amortization	11,299	13,981
Meetings and conferences	93,926	81,246
Occupancy expense	72,356	71,642
Office and miscellaneous	89,631	37,513
Professional fees	51,393	54,152
Program development	169,295	453,853
Promotion	41,881	30,695
Salaries and benefits	707,261	537,505
	<u>1,237,042</u>	<u>1,280,587</u>
Surplus (deficiency) of revenue over expenses	\$ 30,668	\$ (35,795)

See accompanying notes to financial statements.

THE TERRY FOX RESEARCH INSTITUTE

Statement of Changes in Net Assets

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

	Invested in equipment	Unrestricted	Total 2012	Total 2011
Net assets, beginning of year	\$ 27,999	\$ 179,069	\$ 207,068	\$ 242,863
Surplus (deficiency) of revenue over expenses	(11,299)	41,967	30,668	(35,795)
Net assets, end of year	\$ 16,700	\$ 221,036	\$ 237,736	\$ 207,068

THE TERRY FOX RESEARCH INSTITUTE

Statement of Cash Flows

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

	2012	2011
Cash provided by (used in):		
Operations:		
Surplus (deficiency) of revenue over expenses	\$ 30,668	\$ (35,795)
Item not involving cash:		
Amortization	11,299	13,981
Changes in non-cash operating working capital:		
Accrued interest	(7)	6,095
Other assets	(83,098)	(3,595)
Accounts payable and accrued liabilities	6,372	(273,774)
	(34,766)	(293,088)
Financing:		
Advances (to) from The Terry Fox Foundation	366,941	(99,039)
Decrease in deferred contributions	(269,492)	(36,670)
	97,449	(135,709)
Increase (decrease) in cash and short-term investments	62,683	(428,797)
Cash and short-term investments, beginning of year	631,587	1,060,384
Cash and short-term investments, end of year	\$ 694,270	\$ 631,587

See accompanying notes to financial statements.

THE TERRY FOX RESEARCH INSTITUTE

Notes to Financial Statements

Year ended March 31, 2012

General:

The Terry Fox Research Institute (the "Institute") was incorporated by letters patent on March 14, 2007 to promote, advance and fund scientific research into the treatment and prevention of cancer by providing grants to groups of researchers working toward a common goal ("Nodes") to be used toward approved cancer research projects.

1. Significant accounting policies:

(a) Revenue recognition:

The Institute follows the deferral method of accounting for contributions which include donations and government grants.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized.

Interest income on short-term investments is recorded on an accrual basis.

(b) Financial instruments:

The Institute accounts for its financial assets and liabilities in accordance with Canadian generally accepted accounting principles.

The financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in net assets.

The Institute has designated the following:

- (i) Cash is classified as held-for-trading, which is measured at market value.

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Notes to Financial Statements

Year ended March 31, 2012

1. Significant accounting policies (continued):

(ii) Short-term investments are designated as held-to-maturity and are measured at amortized cost. Transaction costs related to short-term investments are included in the initial measurement of the investment and are amortized using the effective interest rate method.

(b) Financial instruments (continued):

(iii) Accrued interest and other receivables are classified as loans and receivables, which are measured at amortized cost.

(iv) Accounts payable and accrued liabilities and due to The Terry Fox Foundation are classified as other financial liabilities, which are measured at amortized cost.

(c) Equipment:

Purchased equipment is recorded at cost. Amortization is calculated on a straight-line basis over the useful lives of the assets at the following rates:

Leasehold improvements	5 years
Computer equipment	3 years
Furniture and office equipment	5 years

(d) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(e) Future changes in accounting standards:

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

THE TERRY FOX RESEARCH INSTITUTE

Notes to Financial Statements

Year ended March 31, 2012

1. Significant accounting policies (continued):

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

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

2. Capital management:

The Institute receives the majority of capital funds from The Terry Fox Foundation. The Institute defines capital to be net assets and deferred contributions.

The Institute's objective when managing capital is to retain enough capital to continue to be able to fund scientific research into the treatment and prevention of cancer. The Institute manages capital by approving research projects based on available funds and the goal of the project. Currently, the Institute's strategy is to monitor the success of the projects on an ongoing basis and to provide further funding as necessary.

3. Cash and short-term investment:

	2012	2011
Cash	\$ 185,501	\$ 124,086
Short-term investment	508,769	507,500
	\$ 694,270	\$ 631,586

The short-term investment is a guaranteed investment certificate with an interest rate of 0.25% maturing on April 9, 2012 (2011 - interest rate of 0.25% maturing on April 9, 2011). The investment is classified as held-to-maturity.

THE TERRY FOX RESEARCH INSTITUTE

Notes to Financial Statements

Year ended March 31, 2012

4. Equipment:

			2012		2011	
	Cost	Accumulated amortization	Net book value	Net book value		
Leasehold improvements	\$ 29,960	\$ 14,980	\$ 14,980	\$ 20,972		
Computer equipment	23,355	22,146	1,209	6,311		
Furniture and office equipment	1,021	510	511	716		
	\$ 54,336	\$ 37,636	\$ 16,700	\$ 27,999		

5. Deferred contributions:

In fiscal 2008, the Institute entered into a long-term collaborative research agreement with the Canadian Partnership Against Cancer ("CPAC"). CPAC is an independent corporation charged with accelerating action on cancer control across Canada and was formed in November of 2006.

The purpose of the agreement is to have CPAC contribute to the funding of a Pan-Canadian Cancer Biomarker initiative of the Institute for a period of five years. CPAC has committed to funding not to exceed \$10 million, with a total of \$9,960,954 provided to-date. The agreement is now complete.

As a result of the specified purpose of the funding, amounts received from CPAC are recorded as deferred contributions until such time as eligible expenditures are made. Transactions under this agreement were as follows:

	2012		2011	
Deferred contributions, beginning of year	\$ 269,492	\$ 306,162		
Funding provided	2,188,625	2,772,213		
Eligible expenditures:				
Cancer research funding	(2,458,117)	(2,807,678)		
Conferences, events and meetings	-	(1,205)		
	(2,458,117)	(2,808,883)		
Deferred contributions, end of year	\$ -	\$ 269,492		

THE TERRY FOX RESEARCH INSTITUTE

Notes to Financial Statements

Year ended March 31, 2012

6. Related party transactions:

During the year, The Terry Fox Foundation (the "Foundation") provided the Institute with \$5,819,924 (2011 - \$6,090,000) in research funding. The Institute then distributed \$4,506,634 (2011 - \$5,272,651) of the total funds received to various institutions for cancer research. The remaining funds were invested or used for administrative expenses.

The Institute and the Foundation have certain common officers and management.

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.

7. Commitments:

- (i) The Institute has entered into a lease agreement for office premises that require monthly payments of \$4,804 until June 2014.
- (ii) The Institute has committed to funding research projects on behalf of and based upon suitable support from The Terry Fox Foundation, subject to the availability of funds, over the next five years as follows:

2013	\$ 11,388,223
2014	6,664,968
2015	4,180,164
2016	1,576,351
2017	684,946
Thereafter	168,677

	\$ 24,663,329
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8. Financial instruments:

The carrying values of cash and short-term investments, accrued interest, accounts payable and accrued liabilities and due to The Terry Fox Foundation approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.