

Financial statements of

**Canadian Breast
Cancer Foundation**

March 31, 2011

Canadian Breast Cancer Foundation

March 31, 2011

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Independent Auditor's Report

To the Members of
Canadian Breast Cancer Foundation

We have audited the accompanying financial statements of Canadian Breast Cancer Foundation, which comprise the balance sheet as at March 31, 2011, and the statements of revenues, expenses and allocations, changes in fund balances, and cash flows for the year then ended, and 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.

Auditor's 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 the auditor's 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, the auditor considers 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Canadian Breast Cancer Foundation derives revenue from donations and certain community events, 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 Canadian Breast Cancer Foundation and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, assets and fund balances.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Canadian Breast Cancer Foundation as at March 31, 2011, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
June 30, 2011

Canadian Breast Cancer Foundation

Balance sheet
as at March 31, 2011

	2011	2010
	\$	\$
Assets		
Current		
Cash	9,830,489	9,273,477
Short-term investments (Note 4)	61,439,575	54,586,746
Accounts receivable	1,017,752	1,057,627
Prepaid expenses and other assets	892,882	603,029
	73,180,698	65,520,879
Capital assets (Note 6)	1,579,521	1,732,033
	74,760,219	67,252,912
Liabilities		
Current		
Accounts payable and accrued liabilities	2,165,670	1,592,023
Deferred lease inducements	291,687	411,551
Deferred contributions	1,067,165	326,529
Grants payable (Note 7)	17,405,159	14,341,715
	20,929,681	16,671,818
Long-term grants payable (Note 7)	10,320,135	12,573,728
	31,249,816	29,245,546
Fund balances		
Invested in capital assets	1,579,521	1,732,033
Externally restricted	376,198	336,351
Board restricted (Note 9)	17,952,587	17,294,385
Unrestricted	23,602,097	18,644,597
	43,510,403	38,007,366
	74,760,219	67,252,912

Canadian Breast Cancer Foundation

Statement of revenues, expenses and allocations year ended March 31, 2011

	2011	2010
	\$	\$
Revenues		
Run for the Cure	33,100,754	27,799,500
Donations		
Individual donations	1,348,284	1,526,926
Direct response	3,337,027	4,432,191
Corporate	8,745,609	7,635,772
Third party events	4,208,450	3,619,464
Other special events	2,145,401	413,266
Investment income	1,181,059	162,461
Other	534,701	1,538,571
Government Partnerships	-	65,000
	54,601,285	47,193,151
Expenses		
Cost of raising funds	18,174,381	16,490,952
Operations	6,238,130	5,492,877
	24,412,511	21,983,829
Excess of revenues over expenses before allocations	30,188,774	25,209,322
Allocations		
Program activities	6,366,424	6,921,499
Grants	18,319,313	20,271,113
	24,685,737	27,192,612
Excess (deficiency) of revenues over expenses and allocations for the year	5,503,037	(1,983,290)

Canadian Breast Cancer Foundation

Statement of changes in fund balances
year ended March 31, 2011

					2011	2010
	Invested in capital assets	Externally restricted	Board restricted	Unrestricted	Total	Total
	\$	\$	\$	\$	\$	\$
Balance, beginning of year	1,732,033	336,351	17,294,385	18,644,597	38,007,366	39,990,656
Excess (deficiency) of revenues over expenses and allocations	-	39,847	-	5,463,190	5,503,037	(1,983,290)
Amortization	(558,623)	-	-	558,623	-	-
Capital asset additions	406,111	-	-	(406,111)	-	-
Inter-fund transfers (Note 9)	-	-	658,202	(658,202)	-	-
Balance, end of year	1,579,521	376,198	17,952,587	23,602,097	43,510,403	38,007,366

Canadian Breast Cancer Foundation

Statement of cash flows year ended March 31, 2011

	2011	2010
	\$	\$
Operating activities		
Excess (deficiency) of revenues over expenses and allocations	5,503,037	(1,983,290)
Amortization of capital assets	558,623	680,556
Lease inducement	(119,864)	207,597
	5,941,796	(1,095,137)
Changes in non-cash operating items		
Accounts receivable	39,875	952,843
Prepaid expenses and other assets	(289,853)	323,662
Accounts payable and accrued liabilities	573,647	(420,659)
Deferred contributions	740,636	23,652
Grants payable	809,851	3,443,588
	7,815,952	3,227,949
Investing activities		
Capital asset additions	(406,111)	(628,878)
Additions to short-term investments, net	(6,852,829)	353,736
	(7,258,940)	(275,142)
Net cash inflow	557,012	2,952,807
Cash, beginning of year	9,273,477	6,320,670
Cash, end of year	9,830,489	9,273,477

Canadian Breast Cancer Foundation

Notes to the financial statements

March 31, 2011

1. Purpose of the organization

As the leading national volunteer-based organization dedicated to the fight against breast cancer, the Canadian Breast Cancer Foundation (“the Foundation”) works collaboratively to fund, support and advocate relevant and innovative breast cancer research, meaningful education and awareness programs, early diagnosis and effective treatment and a positive quality of life for those living with breast cancer. The Foundation provides financial support in the form of community-based initiatives and grants to scientific and medical research, aimed at advancing the prevention and treatment of breast cancer. Funds are also allocated to a number of internal charitable program areas as established by the Board of Directors. These include Community Awareness and Education, the Grant Allocation Process, Volunteer Development, and Stakeholder Relations.

The Foundation was incorporated as a corporation without share capital by letters patent which were issued under the Canada Corporations Act on October 27, 1992. The Foundation is a registered charitable organization and, as such, is exempt from income taxes under the Income Tax Act (Canada) and is able to issue donation tax receipts for income tax purposes.

These financial statements include the activities of the Central Office and the Atlantic, Ontario, Prairies/North West Territories and British Columbia/Yukon Regions.

2. Significant accounting policies

The financial statements of the Foundation have been prepared in accordance with Canadian generally accepted accounting principles using the restricted fund method of recording contributions. The following summary of significant accounting policies is set forth to facilitate the understanding of these financial statements.

Fund accounting

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

Externally restricted

These funds record resources that are to be used for specific purposes, as specified by donors.

Board restricted

These funds have been restricted by the Board of Directors to fund certain commitments entered into by the Foundation and to help ensure the financial security of the Foundation.

Invested in capital assets

This fund records the activities associated with the Foundation’s capital assets.

Unrestricted

These funds are available for general purposes and reflect the transactions associated with the operating activities of the Foundation. Net revenues raised from operations are made available to fund breast cancer projects and program activities.

Canadian Breast Cancer Foundation

Notes to the financial statements

March 31, 2011

2. Significant accounting policies (continued)

Revenue recognition

The Foundation follows the restricted method for recording restricted donations. Unrestricted donations are recorded as revenue in the year received. Donor restricted donations are recognized as revenue of the related Restricted Fund.

Revenues received in advance for events to be undertaken in the next year for which no fund exists are recorded as deferred contributions until the related expenses are incurred.

Donations received by way of charitable remainder trusts vest irrevocably with the Foundation. These donations are tax receipted by the Foundation and are recorded as revenue and contribution receivable at the estimated fair market value upon establishment of the trust. The difference between the fair market value and the capital value is amortized to revenue based on the assumptions of the original actuarial valuation.

Financial instruments

The Foundation has classified each of its financial instruments into accounting categories, as follows:

<u>Asset/liability</u>	<u>Category</u>	<u>Measurement</u>
Cash	Held for trading	Fair value
Short-term investments	Held for trading	Fair value
Short-term investments	Available for sale	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Grants payable	Other liabilities	Amortized cost

The category for an item determines its subsequent accounting under the revised standards:

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of revenues, expenses and allocation;
- Available for sale items are carried at fair value, with changes in their fair value recognized in the statement of changes in fund balances;
- Loans and receivables are carried at amortized cost, using the effective interest method, net of any impairment;
- Other liabilities are carried at amortized cost, using the effective interest method.

Any transaction costs are expensed as incurred.

The Foundation has elected to follow the disclosure requirements of Section 3861 "Financial Instruments – Disclosure and Presentation" of the CICA Handbook.

The Foundation places its investments in interest-bearing accounts or in highly liquid investments that are readily convertible into known amounts of cash.

The Foundation does not enter into any derivative financial instrument arrangements for hedging or speculative purposes.

Capital assets

Capital assets are capitalized in the year acquired and are amortized from the month of acquisition on a straight-line basis over five years. Leasehold improvements are amortized over the length of the lease.

Canadian Breast Cancer Foundation

Notes to the financial statements

March 31, 2011

2. Significant accounting policies (continued)

Lease inducement

The total amount of lease inducements is amortized on the straight-line basis over the life of the lease.

Grants and commitments

Grants are recorded when authorized for payment by the Board of Directors. At March 31, 2011 there were a number of grants which had been approved by the Board but not yet paid. Grants, which have been approved by the Board and are not payable until after fiscal year 2012, have been recorded as long-term grants payable. Any unused or returned grants as a result of criteria no longer being met are recorded as a reduction to grants payable and expense.

Contributed services

Volunteers contribute a substantial number of hours each year to assist the Foundation in carrying out its activities. In addition, individuals, businesses and corporations contribute in kind gifts and/or services. Due to the difficulty in determining their fair value, contributed materials and services are not recognized in the financial statements. Gifts in kind for use in special fundraising events are recognized at their fair market value when such value can be reasonably estimated.

Allocation of expenses

Certain administrative expenses are allocated to cost of raising funds and program activities based on the estimate of staff time related to each area of activity (Note 11).

Use of estimates

The preparation of the Foundation's financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and 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. Accounts requiring estimates and assumptions include allowance for doubtful accounts, capital assets estimated useful life and accrued liabilities.

3. Future accounting changes

In December 2010, the CICA issued accounting standards for Not-for-Profit Organizations (Part III of the CICA Handbook – Accounting). Effective for fiscal years beginning on or after January 1, 2012, Not-for-Profit organizations are currently required to adopt either Part III of the CICA Handbook – Accounting or International Financial Reporting Standards (Part I of the CICA Handbook – Accounting). Earlier adoption is permitted. The Foundation is currently evaluating the impact on its financial statements of the two options.

4. Financial instruments and risk management

The investments held by the Foundation are exposed to a variety of financial risks. The Foundation seeks to minimize the potential adverse effects of these risks by regularly monitoring the investment's position, market events and the diversifying of the investment portfolio within the constraints of the Foundation's Investment Policies.

Significant risks that are relevant to the Foundation's investments are as follows:

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities and mutual funds held by the Foundation. The short-term interest bearing investments held by the Foundation have a limited exposure to interest rate risk due to their short-term maturity. The Foundation has formal policies and procedures that establish target asset mix, minimum credit ratings and varying terms of the securities held.

Canadian Breast Cancer Foundation

Notes to the financial statements

March 31, 2011

4. Financial instruments and risk management (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. As at March 31, 2011 and 2010, the Foundation's investments in fixed income securities and mutual funds are primarily with reputable banking institutions with strong credit ratings.

Fair value

Establishing fair value

The fair value of cash, accounts receivable, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

The fair value of investments which include fixed income securities and mutual funds is based on quoted bid prices.

Grants payable are recorded at their carrying value as the fair value is non-determinable due to the nature and timing of grant payments and the lack of comparable benchmark information.

5. Credit facilities

The Foundation has a credit agreement with its bank for the following:

- a) \$70,000 Letter of Credit of which \$Nil (2010 - \$Nil) has been committed as at March 31, 2011 in relation to obtaining a lottery license; and
- b) \$200,000 limit on credit card purchases.

6. Capital assets

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer equipment and wide area network & software	1,527,923	806,952	720,971	665,917
Office furniture and equipment	669,627	458,344	211,283	275,321
Leasehold improvements	1,619,849	992,582	627,267	770,795
Artwork	20,000	-	20,000	20,000
	3,837,399	2,257,878	1,579,521	1,732,033

7. Grants payable

Grants payable consists of the following:

	2011	2010
	\$	\$
Total grants payable	27,725,294	26,915,443
Less: current portion	17,405,159	14,341,715
Long-term portion	10,320,135	12,573,728

Canadian Breast Cancer Foundation

Notes to the financial statements

March 31, 2011

7. Grants payable (continued)

Grants payable do not extend past 2014 and are expected to be paid as follows:

	\$
2012	17,405,159
2013	7,036,326
2014	3,283,809
	<hr/> 27,725,294

Grants with conditions that have not yet been met are not included in Grants payable until all conditions have been satisfied.

8. Commitments

The Foundation has entered into various operating leases for office premises and equipment. These leases expire by 2016 with minimum annual lease payments as follows:

	\$
2012	1,218,054
2013	1,277,099
2014	1,232,236
2015	552,217
2016	323,683
	<hr/> 4,603,289

9. Board restricted funds

The Board has established a reserve policy as follows:

- a) Funds are restricted to cover administrative and program expenses for three months in the event of a shortfall in fundraising;
- b) Funds are restricted to meet commitments to be made under the Board granting policy (grants pending); and
- c) Funds are restricted to meet commitments to fund national breast cancer related projects and grants as determined by the National Board.

The Board approved a transfer of \$658,202 from the Unrestricted to the Board Restricted Fund (2010 - \$2,123,386 from the Board Restricted to the Unrestricted Fund). The Board Restricted Fund balance consists of the following:

	2011	2010
	\$	\$
Operational shortfall	4,749,852	4,091,650
Grants pending	3,146,246	3,146,246
Funds available for future projects	10,056,489	10,056,489
Total	<hr/> 17,952,587	<hr/> 17,294,385

Canadian Breast Cancer Foundation

Notes to the financial statements

March 31, 2011

10. Revenues

Total revenues are comprised of revenue from the following regions:

	2011	2010
	\$	\$
B.C./Yukon	8,792,931	6,275,705
Prairies/N.W.T	12,167,835	10,136,743
Ontario	20,585,124	17,272,522
Atlantic	4,765,373	4,575,404
Central	8,290,022	8,932,777
Total	54,601,285	47,193,151

11. Allocation of expenses

The Foundation records direct expenses of fundraising activities and events to their respective activities.

In addition, certain administrative expenses are allocated to cost of raising funds and program activities based on estimate of staff time related to each area of activity.

The administrative expenses which have been allocated are:

	2011	2010
	\$	\$
Salaries and benefits	709,360	766,871
General and office	409,895	432,405
Occupancy	2,257,526	1,714,299
Professional and consulting	416,935	420,080
Marketing	7,466	40,172
Total	3,801,182	3,373,827

These administrative expenses are allocated on the statement of revenues, expenses and allocations as follows:

	2011	2010
	\$	\$
Cost of raising funds	2,002,491	1,773,660
Operations	1,042,070	984,833
Program activities	756,621	615,334
Total	3,801,182	3,373,827

Canadian Breast Cancer Foundation

Notes to the financial statements

March 31, 2011

12. Guarantees

In the normal course of business, the Foundation enters into agreements that meet the definition of a guarantee.

Indemnity has been provided to all directors and officers of the Foundation for various items including, but not limited to, all costs to settle suits or actions due to association with the Foundation, subject to certain restrictions. The Foundation has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. Further, in the normal course of business, the Foundation has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. Historically, the Foundation has not incurred any costs as a result of any such suits, actions or agreements. The maximum amount of any potential future payment cannot be reasonably estimated and no amount has been recorded in the financial statements.

13. Pension agreement

The Foundation makes contributions to a defined contribution plan. The amount contributed to the pension plan during the year was \$408,402 (2010 - \$361,242) and is included as an expense in the statement of revenue, expenses and allocations.

14. Capital management

As a not-for-profit entity, the Foundation's operations are reliant on revenues generated annually. The Foundation has accumulated unrestricted fund balances over its history. A portion of the accumulated fund balances is retained as working capital which may be required from time to time due to timing delays in receiving to primary funding. The remaining surplus is available for the use of the Foundation at the discretion of the Board.

The Foundation also has externally restricted funds and deferred contributions and has complied with any externally imposed restrictions relating thereto.