

Financial Statements of

**CANADIAN BREAST
CANCER FOUNDATION**

Year ended March 31, 2014

CANADIAN BREAST CANCER FOUNDATION

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Year ended March 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Members of Canadian Breast Cancer Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Canadian Breast Cancer Foundation, which comprise the balance sheet as at March 31, 2014, the statements of revenue, expenses and allocations, changes in fund balances 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 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 not-for-profit organizations, Canadian Breast Cancer Foundation 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 Canadian Breast Cancer Foundation.

Therefore, we were not able to determine whether, as at March 31, 2014 and for the years ended March 31, 2014 and March 31, 2013, any adjustments might be necessary to donations revenue and deficiency of revenue over expenses and allocations reported in the statements of revenue, expenses and allocations, deficiency of revenue over expenses and allocations reported in the statements of cash flows and current assets and fund balances reported in the balance sheets. This caused us to qualify our audit opinion on the financial statements as at and for the year ended March 31, 2013.

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 Canadian Breast Cancer Foundation as at March 31, 2014, 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.

Report on the Financial Statements

As required by Canada 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 period.

Chartered Professional Accountants, Licensed Public Accountants

June 21, 2014
Toronto, Canada

CANADIAN BREAST CANCER FOUNDATION

Balance Sheet

March 31, 2014, with comparative information for 2013

	2014	2013
Assets		
Current assets:		
Cash (note 2)	\$ 3,158,412	\$ 4,544,554
Short-term investments (note 3)	54,706,812	58,723,559
Donations and other receivables	1,042,728	1,022,913
Prepaid expenses and other assets	709,234	835,579
	<u>59,617,186</u>	<u>65,126,605</u>
Capital assets (note 4)	3,619,469	3,103,998
	<u>\$ 63,236,655</u>	<u>\$ 68,230,603</u>

Liabilities and Fund Balances

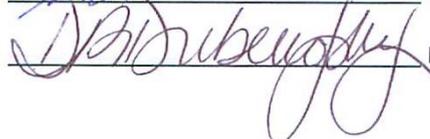
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,566,095	\$ 1,524,719
Lease inducements	406,978	125,194
Deferred revenue	782,362	482,350
Grants payable (note 5)	19,449,632	21,424,749
	<u>22,205,067</u>	<u>23,557,012</u>
Long-term grants payable (note 5)	11,510,668	12,244,582
Fund balances:		
Invested in capital assets	3,619,469	3,103,998
Externally restricted (note 6(a))	1,101,901	1,014,155
Board restricted (note 6(b))	8,040,331	12,280,170
Unrestricted	16,759,219	16,030,686
	<u>29,520,920</u>	<u>32,429,009</u>
Commitments (note 11)		
	<u>\$ 63,236,655</u>	<u>\$ 68,230,603</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

CANADIAN BREAST CANCER FOUNDATION

Statement of Revenue, Expenses and Allocations

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

	2014		2013	
	Externally restricted funds (note 6(a))	Unrestricted	Total	Total
Revenue (notes 7 and 8):				
Donations:				
Run for the Cure	\$ –	\$ 25,984,485	\$ 25,984,485	\$ 29,592,935
Individual donations	255,230	974,205	1,229,435	1,072,895
Direct response	–	1,708,636	1,708,636	2,952,516
Corporate	–	7,831,354	7,831,354	7,310,348
Government partnerships	–	504,669	504,669	3,430
Third-party events	–	4,010,751	4,010,751	4,511,825
Other special events	–	602,128	602,128	640,102
Investment income (note 3)	–	3,396,737	3,396,737	2,461,260
Other	–	323,052	323,052	273,084
	255,230	45,336,017	45,591,247	48,818,395
Expenses (note 9):				
Cost of raising funds	–	15,050,279	15,050,279	17,176,488
Operations	167,484	6,140,284	6,307,768	6,404,948
	167,484	21,190,563	21,358,047	23,581,436
Excess of revenue over expenses before allocations				
	87,746	24,145,454	24,233,200	25,236,959
Allocations:				
Program activities (note 9)	–	7,829,118	7,829,118	7,860,151
Grants	–	19,312,171	19,312,171	21,541,242
	–	27,141,289	27,141,289	29,401,393
Excess (deficiency) of revenue over expenses and allocations				
	\$ 87,746	\$ (2,995,835)	\$ (2,908,089)	\$ (4,164,434)

See accompanying notes to financial statements.

CANADIAN BREAST CANCER FOUNDATION

Statement of Changes in Fund Balances

Year ended March 31, 2014

	Invested in capital assets	Externally restricted funds (note 6(a))	Board restricted (note 6(b))	Unrestricted	Total
Balance, beginning of year	\$ 3,103,998	\$ 1,014,155	\$ 12,280,170	\$ 16,030,686	\$ 32,429,009
Excess (deficiency) of revenue over expenses and allocations	(865,689)	87,746	–	(2,130,146)	(2,908,089)
Capital asset additions, net	1,381,160	–	–	(1,381,160)	–
Interfund transfers	–	–	(4,239,839)	4,239,839	–
Balance, end of year	\$ 3,619,469	\$ 1,101,901	\$ 8,040,331	\$ 16,759,219	\$ 29,520,920

See accompanying notes to financial statements.

CANADIAN BREAST CANCER FOUNDATION

Statement of Cash Flows

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

	2014	2013
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses and allocations	\$ (2,908,089)	\$ (4,164,434)
Items not involving cash:		
Amortization of capital assets	832,871	740,995
Loss on disposal of capital assets	32,818	6,202
Amortization of lease inducement	(44,694)	59,234
Unrealized gain on short-term investments	(1,844,125)	(673,223)
Realized loss on short-term investments	611,833	-
	(3,319,386)	(4,031,226)
Change in non-cash operating working capital:		
Donations and other receivables	(19,815)	(69,464)
Prepaid expenses and other assets	126,345	(51,549)
Accounts payable and accrued liabilities	41,376	(734,028)
Lease inducement recovery	326,478	-
Deferred revenue	300,012	(97,569)
Grants payable	(2,709,031)	(1,268,644)
	(5,254,021)	(6,252,480)
Investing activities:		
Capital asset additions	(1,381,160)	(1,065,144)
Additions to short-term investments, net	5,249,039	7,611,496
	3,867,879	6,546,352
Increase (decrease) in cash	(1,386,142)	293,872
Cash, beginning of year	4,544,554	4,250,682
Cash, end of year	\$ 3,158,412	\$ 4,544,554

See accompanying notes to financial statements.

CANADIAN BREAST CANCER FOUNDATION

Notes to Financial Statements

Year ended March 31, 2014

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 for 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 (the "Board"). 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.

Under the Income Tax Act (Canada), the Foundation must meet a disbursement quota in order to maintain its charitable status. The Foundation has created a disbursement excess by distributing amounts in excess of the disbursement quota.

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

CANADIAN BREAST CANCER FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

1. Significant accounting policies:

The financial statements of the Foundation have been prepared in accordance with Canadian accounting standards for not-for-profit organizations 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:

(a) 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. For financial reporting purposes, the accounts have been classified into the following funds:

(i) Externally restricted:

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

(ii) Board restricted:

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

(iii) Invested in capital assets:

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

(iv) Unrestricted:

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

CANADIAN BREAST CANCER FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

1. Significant accounting policies (continued):

(b) Revenue recognition:

The Foundation follows the restricted fund method for recording restricted donations. Unrestricted donations are recorded as revenue in the year received or receivable. Donor restricted donations are recognized as revenue of the related restricted fund when received or receivable. Contributions are recognized in the respective fund if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue received in advance for events to be undertaken in the next year for which no fund exists is recorded as deferred revenue 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.

Unrestricted investment income is recognized as revenue when earned.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. 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 short-term investments at fair value based on quoted bid prices.

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.

CANADIAN BREAST CANCER FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

1. Significant accounting policies (continued):

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.

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.

(d) 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.

When a capital asset no longer contributes to the Foundation's ability to provide services, its carrying amount is written down to its residual value.

CANADIAN BREAST CANCER FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

1. Significant accounting policies (continued):

(e) Lease inducements:

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

(f) Grants and commitments:

Grants are recorded when authorized for payment by the Board. At March 31, 2014, 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 2015, have been recorded as long-term grants payable.

(g) Contributed goods and 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 gifts and services are not recognized in the financial statements.

(h) Allocation of revenue and 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 9).

Effective April 1, 2011, the National Board approved a new allocation model that allocates all Central Office revenue and expenses to the regions based on a percentage of total forecasted revenue by region (note 7).

(i) Use of estimates:

The preparation of financial statements 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 year. Actual results could differ from those estimates. Significant estimates and assumptions include carrying amounts of donations and other receivable, estimated useful lives of capital assets and accrued liabilities.

CANADIAN BREAST CANCER FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

2. Credit facilities:

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

- (a) a \$75,000 Standby Letter of Credit, of which nil has been committed as at March 31, 2014 (2013 - nil); and
- (b) a \$275,000 limit on credit card purchases.

3. Short-term investments:

Short-term investments consist of the following:

	2014	2013
Cash	\$ 21,536,192	\$ 15,509,875
Bankers' acceptance notes	362,327	14,011,758
Mutual funds	1,745,395	1,506,350
Canadian and global equities	17,722,109	14,423,160
Fixed income pooled funds	13,317,904	13,171,810
Accrued interest receivable	22,885	100,606
	\$ 54,706,812	\$ 58,723,559

	2014	2013
Investment income, net	\$ 1,552,612	\$ 1,788,037
Unrealized gain	1,844,125	673,223
	\$ 3,396,737	\$ 2,461,260

CANADIAN BREAST CANCER FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

4. Capital assets:

			2014	2013
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment and wide-area network and software	\$ 3,580,982	\$ 1,837,342	\$ 1,743,640	\$ 1,802,006
Office furniture and equipment	934,410	577,754	356,656	319,885
Leasehold improvements	1,938,254	439,081	1,499,173	962,107
Artwork	20,000	–	20,000	20,000
	\$ 6,473,646	\$ 2,854,177	\$ 3,619,469	\$ 3,103,998

5. Grants payable:

Grants payable consists of the following:

	2014	2013
Total grants payable	\$ 30,960,300	\$ 33,669,331
Less current portion	19,449,632	21,424,749
	\$ 11,510,668	\$ 12,244,582

Grants payable are expected to be paid as follows:

2015	\$ 19,449,632
2016	7,788,213
2017	2,545,554
2018	227,553
2019	949,348
	\$ 30,960,300

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.

CANADIAN BREAST CANCER FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

6. Restricted funds:

(a) Externally restricted:

Externally restricted funds were received from donors with the purpose of spending funds on research, education and fellowship. Contributions received are recognized as revenue in the externally restricted fund in the statement of revenue, expenses and allocations in the year that they are received. Expenses are recognized as the eligible expenditures are made.

(b) Board restricted:

The Board has established a reserve policy as follows:

- (i) Funds are restricted to cover administrative and program expenses for three months in the event of a shortfall in fundraising;
- (ii) Funds are restricted to meet commitments to fund the National Grant Program as determined by the National Board; and
- (iii) Funds are restricted to meet commitments to be made under the Board granting policy (grants pending).

The Board restricted fund balance consists of the following:

	2014	2013
Operational shortfall	\$ 5,437,559	\$ 5,910,812
Funds available for National Grants	2,602,772	6,147,115
Grants pending	–	222,243
	<u>\$ 8,040,331</u>	<u>\$ 12,280,170</u>

CANADIAN BREAST CANCER FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

7. Revenue:

Total revenue comprises revenue from the following regions:

	2014	2013
British Columbia/Yukon	\$ 7,834,985	\$ 8,836,452
Prairies/Northwest Territories	12,674,987	13,137,687
Ontario	19,176,697	21,275,817
Atlantic	4,069,213	4,895,214
Other unallocated	1,835,365	673,225
	\$ 45,591,247	\$ 48,818,395

8. Gaming revenue:

The following represents revenue and expenses incurred, relating to gaming activities:

2014	Ontario	Alberta	Saskatchewan	Manitoba	British Colombia	Total
Revenue	\$ 2,225	\$ 73,751	\$ 15,047	\$ 16,200	\$ 59,712	\$ 166,935
Expenses	-	9,117	1,718	2,077	5,557	18,469
	\$ 2,225	\$ 64,634	\$ 13,329	\$ 14,123	\$ 54,155	\$ 148,466

2013	Ontario	Alberta	Saskatchewan	Manitoba	British Colombia	Total
Revenue	\$ 5,680	\$ 118,419	\$ 7,270	\$ 13,040	\$ 29,562	\$ 173,971
Expenses	-	24,216	1,494	2,832	-	28,542
	\$ 5,680	\$ 94,203	\$ 5,776	\$ 10,208	\$ 29,562	\$ 145,429

CANADIAN BREAST CANCER FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

9. 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:

	2014	2013
Salaries and benefits	\$ 328,991	\$ 394,519
General and office	404,989	349,489
Occupancy	2,600,282	2,438,465
Professional and consulting	19,012	24,717
	<u>\$ 3,353,274</u>	<u>\$ 3,207,190</u>

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

	2014	2013
Cost of raising funds	\$ 1,681,664	\$ 1,788,575
Operations	1,005,260	849,164
Program activities	666,350	569,451
	<u>\$ 3,353,274</u>	<u>\$ 3,207,190</u>

CANADIAN BREAST CANCER FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

10. Pension agreement:

The Foundation makes contributions to a defined contribution plan. The amount contributed to the pension plan during the year was \$492,715 (2013 - \$479,858) and is included as an expense in the statement of revenue, expenses and allocations.

11. Commitments:

The Foundation has entered into various leases for office premises and equipment and has committed to the following minimum annual lease payments.

2015	\$ 1,394,744
2016	1,237,686
2017	762,881
2018	554,730
2019	542,568
Thereafter	2,194,102
	<hr/>
	\$ 6,686,711

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.

CANADIAN BREAST CANCER FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

13. Financial instruments and risk management:

The financial instruments 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 position of investments, market events and the diversifying of the investment portfolio within the constraints of the Foundation's investment policies.

There has been no change to the risk exposure from the prior year.

Significant risks that are relevant to the Foundation are as follows:

(a) Other price and interest rate risk:

The risks associated with the short-term investments are the risks associated with the securities in which the funds are invested. The value of securities will vary with developments within the specific companies or governments which issue the securities. Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by the Foundation. The value of fixed income securities will generally rise if interest rates fall and fall if interest rates rise. 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.

(b) 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, 2014, the Foundation's investments in fixed income securities are in pooled funds. Cash is held in creditworthy financial institutions.

Other receivable are subject to credit risk. The Foundation assesses, on a continuous basis, other receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

CANADIAN BREAST CANCER FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

13. Financial instruments and risk management (continued):

(c) 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 maintaining short-term investments which have short-term maturities and are readily convertible to known amounts of cash. The Foundation also prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

14. Capital management:

As a not-for-profit entity, the Foundation's operations are reliant on revenue 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 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 revenue and has complied with any externally imposed restrictions relating thereto.

15. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.