

Financial Statements of

**CANADIAN BREAST
CANCER FOUNDATION**

Year ended March 31, 2016

CANADIAN BREAST CANCER FOUNDATION

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INDEPENDENT AUDITORS' 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, 2016, 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 this revenue was limited to the amounts recorded in the records of Canadian Breast Cancer Foundation. Therefore, we were not able to determine whether, as at and for the years ended March 31, 2016 and March 31, 2015, 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, 2015.

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, 2016, 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 25, 2016
Toronto, Canada

CANADIAN BREAST CANCER FOUNDATION

Balance Sheet

March 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash (note 2)	\$ 3,206,089	\$ 1,714,089
Short-term investments (note 3)	43,310,622	51,634,488
Accounts receivable	972,596	1,280,716
Prepaid expenses and other assets	607,663	787,557
	<u>48,096,970</u>	<u>55,416,850</u>
Capital assets (note 4)	1,975,350	3,066,659
	<u>\$ 50,072,320</u>	<u>\$ 58,483,509</u>


Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,451,346	\$ 1,577,520
Lease inducements	848,740	550,020
Deferred revenue	627,503	375,003
Grants payable (note 5)	14,854,321	17,843,604
	<u>17,781,910</u>	<u>20,346,147</u>
Long-term grants payable (note 5)	9,750,158	10,274,427
Long-term accrued liabilities	246,683	—
Fund balances:		
Invested in capital assets	1,975,350	3,066,659
Externally restricted (note 6(a))	1,008,062	979,512
Board restricted (note 6(b))	8,033,122	13,528,988
Unrestricted	11,277,035	10,287,776
	<u>22,293,569</u>	<u>27,862,935</u>
Commitments (note 10)		
Subsequent event (note 13)		
	<u>\$ 50,072,320</u>	<u>\$ 58,483,509</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, 2016, with comparative information for 2015

	2016	2015
Revenue (note 7):		
Donations:		
Run for the Cure	\$ 21,322,115	\$ 24,352,271
Individual donations	1,682,290	1,672,985
Direct response	1,542,385	1,557,541
Corporate	6,041,314	6,410,653
Government partnerships	49,169	612,434
Third-party events	4,443,829	3,956,415
Other special events	626,356	782,880
Investment income (note 3)	202,007	3,230,464
Other	233,269	372,198
	<u>36,142,734</u>	<u>42,947,841</u>
Expenses (note 8):		
Cost of raising funds	13,216,225	13,748,669
Operations	6,589,397	5,944,198
	<u>19,805,622</u>	<u>19,692,867</u>
Excess of revenue over expenses before allocations	16,337,112	23,254,974
Allocations:		
Program activities (note 8)	7,957,269	7,456,720
Grants	13,949,209	17,456,239
	<u>21,906,478</u>	<u>24,912,959</u>
Deficiency of revenue over expenses and allocations	\$ (5,569,366)	\$ (1,657,985)

See accompanying notes to financial statements.

CANADIAN BREAST CANCER FOUNDATION

Statement of Changes in Fund Balances

Year ended March 31, 2016, with comparative information for 2015

	2016			2015	
	Invested in capital assets	Externally restricted funds (note 6(a))	Board restricted (note 6(b))	Unrestricted	Total
Balance, beginning of year	\$ 3,066,659	\$ 979,512	\$ 13,528,988	\$ 10,287,776	\$ 27,862,935
Excess (deficiency) of revenue over expenses and allocations	(878,341)	28,550	-	(4,719,575)	(5,569,366)
Capital asset additions, net	(212,968)	-	-	212,968	-
Interfund transfers	-	-	(5,495,866)	5,495,866	-
Balance, end of year	\$ 1,975,350	\$ 1,008,062	\$ 8,033,122	\$ 11,277,035	\$ 22,293,569
					\$ 27,862,935

See accompanying notes to financial statements.

CANADIAN BREAST CANCER FOUNDATION

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses and allocations	\$ (5,569,366)	\$ (1,657,985)
Items not involving cash:		
Amortization of capital assets	878,341	765,787
Loss on disposal of capital assets	726,493	-
Amortization of lease inducements	(98,641)	(2,762)
Unrealized loss on short-term investments	1,681,498	479,825
Realized loss on short-term investments	19,176	1,913,557
	(2,362,499)	1,498,422
Change in non-cash operating working capital:		
Accounts receivable	308,120	(237,988)
Prepaid expenses and other assets	179,894	(78,323)
Accounts payable and accrued liabilities	120,509	11,425
Lease inducement recovery	397,361	145,804
Deferred revenue	252,500	(407,359)
Grants payable	(3,513,552)	(2,842,269)
	(4,617,667)	(1,910,288)
Investing activities:		
Capital asset additions	(513,525)	(212,977)
Disposal of short-term investments, net	6,623,192	678,942
	6,109,667	465,965
Increase (decrease) in cash	1,492,000	(1,444,323)
Cash, beginning of year	1,714,089	3,158,412
Cash, end of year	\$ 3,206,089	\$ 1,714,089

See accompanying notes to financial statements.

CANADIAN BREAST CANCER FOUNDATION

Notes to Financial Statements

Year ended March 31, 2016

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 and continued under the Canada Not-for-profit Corporations Act on September 26, 2014. 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.

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.

CANADIAN BREAST CANCER FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(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.

(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.

Unrestricted investment income is recognized as revenue when earned.

CANADIAN BREAST CANCER FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(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.

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.

CANADIAN BREAST CANCER FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(d) Capital assets:

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

Work in progress represents assets not yet available for use; therefore, amortization commences when the project is complete.

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.

(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 generally recorded when authorized for payment in accordance with the policy of the Foundation. At March 31, 2016, there were a number of grants which had been approved but not yet paid. Grants, which have been approved and are not payable until after fiscal year 2017, have been recorded as long-term grants payable.

Grants awarded to other organizations for joint programs are recorded as expense, when the related contractual obligations are met.

(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 8).

CANADIAN BREAST CANCER FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(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 accounts receivable, capital assets and accrued liabilities.

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 \$14,155 has been committed as at March 31, 2016 (2015 - nil); and
- (b) a \$275,000 limit on credit card purchases.

3. Short-term investments:

Short-term investments consist of the following:

	2016	2015
Cash	\$ 20,496,000	\$ 28,481,268
Canadian and global equities	14,565,550	14,726,824
Fixed income pooled funds	7,787,538	7,575,690
Mutual funds	461,534	850,706
	<u>\$ 43,310,622</u>	<u>\$ 51,634,488</u>

	2016	2015
Investment income, net	\$ 1,883,505	\$ 3,710,289
Unrealized loss	(1,681,498)	(479,825)
	<u>\$ 202,007</u>	<u>\$ 3,230,464</u>

CANADIAN BREAST CANCER FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

4. Capital assets:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment and wide-area network and software	\$ 3,842,466	\$ 2,904,495	\$ 937,971	\$ 1,269,629
Office furniture and equipment	855,122	719,335	135,787	294,546
Leasehold improvements	1,424,415	542,823	881,592	1,277,912
Artwork	20,000	—	20,000	20,000
Work in progress	—	—	—	204,572
	\$ 6,142,003	\$ 4,166,653	\$ 1,975,350	\$ 3,066,659

5. Grants payable:

Grants payable consists of the following:

	2016	2015
Total grants payable	\$ 24,604,479	\$ 28,118,031
Less current portion	14,854,321	17,843,604
	\$ 9,750,158	\$ 10,274,427

Grants payable are expected to be paid as follows:

2017	\$ 14,854,321
2018	6,309,236
2019	2,249,419
2020	1,191,503
	\$ 24,604,479

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, 2016

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 four months in the event of a shortfall in fundraising;
- (ii) Funds are restricted to meet commitments to fund the national grant program ("National Grants"), 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:

	2016	2015
Operational shortfall	\$ 4,197,036	\$ 4,908,600
Funds available for National Grants	1,136,086	520,388
Grants pending	2,700,000	8,100,000
	<u>\$ 8,033,122</u>	<u>\$ 13,528,988</u>

CANADIAN BREAST CANCER FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

7. Gaming revenue:

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

2016	Ontario	Alberta	Saskatchewan	Manitoba	British Columbia	Total
Revenue	\$ 1,155	\$ 95,317	\$ 8,010	\$ 14,028	\$ 38,500	\$ 157,010
Expenses	-	40,986	-	199	-	41,185
	\$ 1,155	\$ 54,331	\$ 8,010	\$ 13,829	\$ 38,500	\$ 115,825

2015	Ontario	Alberta	Saskatchewan	Manitoba	British Columbia	Total
Revenue	\$ 6,050	\$ 178,148	\$ 9,970	\$ 18,040	\$ 28,432	\$ 240,640
Expenses	595	31,395	1,757	3,179	50	36,976
	\$ 5,455	\$ 146,753	\$ 8,213	\$ 14,861	\$ 28,382	\$ 203,664

8. 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 as follows:

	2016	2015
Salaries and benefits	\$ 290,021	\$ 282,789
General and office	309,090	347,560
Occupancy	3,950,429	2,699,864
Professional and consulting	113,037	21,759
	\$ 4,662,577	\$ 3,351,972

CANADIAN BREAST CANCER FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

8. Allocation of expenses (continued):

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

	2016	2015
Cost of raising funds	\$ 2,228,939	\$ 1,669,344
Operations	1,102,877	884,638
Program activities	1,330,761	797,990
	<u>\$ 4,662,577</u>	<u>\$ 3,351,972</u>

9. Pension agreement:

The Foundation makes contributions to a defined contribution plan. The amount contributed to the pension plan during the year was \$438,359 (2015 - \$460,368) and is included as an expense in the statement of revenue, expenses and allocations.

10. Commitments:

The Foundation has entered into various operating contracts and leases for office premises, equipment and certain services. The minimum annual payments under these arrangements are as follows:

2017	\$ 852,743
2018	681,602
2019	691,489
2020	680,631
2021	667,297
Thereafter	739,908
	<u>\$ 4,313,670</u>

CANADIAN BREAST CANCER FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

10. Commitments (continued):

In fiscal year 2015, the Foundation has committed \$5,500,000 to the EI Foundation Canada (Stand Up to Cancer Canada) for joint programs in research in breast cancer. As at March 31, 2016, \$2,700,000 remains unpaid and is included in the Board-restricted funds, payable as follows:

2017	\$ 1,300,000
2018	1,400,000
	<hr/>
	\$ 2,700,000

11. 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, 2016

12. 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 risks:

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 maturities. 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, 2015, the Foundation's investments in fixed income securities are in pooled funds. Cash is held in creditworthy financial institutions.

Accounts receivable are subject to credit risk. The Foundation assesses, on a continuous basis, accounts 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, 2016

12. 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.

The Foundation maintains four months of funds to cover operating and program costs in its restricted funds to meet short-term obligations.

13. Subsequent event:

On April 30, 2016, the Foundation merged with Willow Breast and Hereditary Cancer Support ("Willow"). The Willow patient support programs and education and service models will complement the Foundation's initiatives in prevention, wellness and research, in a manner that will continue to provide patient support services across the continuum of breast cancer, including prevention, risk reduction, high risk/hereditary, diagnosis, treatment and reconstruction, survivorship and metastatic.

14. Comparative information:

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