

Brain Tumour Foundation of Canada

Financial Statements

Year ended December 31, 2010

Brain Tumour Foundation of Canada

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Independent Auditor's Report

To the Board of Directors of Brain Tumour Foundation of Canada

Report on the Financial Statements

We have audited the accompanying financial statements of Brain Tumour Foundation of Canada, which comprise the statement of financial position as at December 31, 2010, and the statements of operations, changes in net assets 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.

Except as noted in the following paragraphs, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Independent Auditor's Report, continued

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation, derives revenue from fundraising, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation, and we were not able to determine whether any adjustments might be necessary to fundraising revenues and fund balances.

Qualified Opinion

Except as noted in the above paragraph, in our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Collins Barrow KMD LLP

Chartered Accountants
Licensed Public Accountants

London, Canada
March 30, 2011

Brain Tumour Foundation of Canada
Statement of Operations
Year ended December 31, 2010

	2010	2009
Revenues		
Fundraising (net of direct expenses of \$332,856 in 2010 and 297,892 in 2009)	\$ 1,427,061	\$ 1,296,221
Donations	737,410	561,102
Investment income (note 11)	75,557	80,499
	<u>2,240,028</u>	<u>1,937,822</u>
Program expenditures		
Research	334,905	280,696
Development expenses	205,421	178,475
Patient information services	1,236,299	1,132,586
	<u>1,776,625</u>	<u>1,591,757</u>
Excess of revenues over program expenditures from operations	<u>463,403</u>	<u>346,065</u>
Administration expenditures		
Salaries and related benefits	56,030	50,010
Office and general	14,532	11,945
Amortization	1,914	1,289
Miscellaneous	4,080	2,978
	<u>76,556</u>	<u>66,222</u>
Excess of revenues over program expenditures	<u>\$ 386,847</u>	<u>\$ 279,843</u>

See accompanying notes

Brain Tumour Foundation of Canada
Statement of Changes in Net Assets
Year ended December 31, 2010

	General Fund	Endowment Fund	Research Fund	Total 2010	Total 2009
Balance, beginning of year	\$ 1,316,057	\$ 122,677	\$ 454,286	\$ 1,893,020	\$ 1,594,598
Adjustment to prior year income allocation (note 8)	(36,304)	-	36,304	-	-
Adjusted balance	1,279,753	122,677	490,590	1,893,020	1,594,598
Excess (deficiency) of revenues over program expenditures	430,483	-	(43,636)	386,847	279,843
Fund contributions	-	3,044	-	3,044	5,760
Unrealized gain on Investments	-	5,150	-	5,150	12,819
Balance, end of year	\$ 1,710,236	\$ 130,871	\$ 446,954	\$ 2,288,061	\$ 1,893,020

See accompanying notes

Brain Tumour Foundation of Canada
Statement of Financial Position
As at December 31, 2010

	2010	2009
ASSETS		
Current assets		
Cash	\$ 717,830	\$ 497,892
Investments (note 3)	844,021	651,576
Research fund investments (note 4)	496,954	490,590
HST receivable	38,477	20,789
Prepays and material for resale	80,301	114,503
	<u>2,177,583</u>	<u>1,775,350</u>
Property, plant and equipment (note 5)	98,494	45,960
Logos (note 6)	10,843	12,757
Endowment fund (note 7)	130,871	122,677
	<u>\$ 2,417,791</u>	<u>\$ 1,956,744</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 79,730	\$ 41,424
Research fund grant payable	50,000	-
General fund grant payable	-	22,300
	<u>129,730</u>	<u>63,724</u>
FUND BALANCES		
Balance per page 4	<u>2,288,061</u>	<u>1,893,020</u>
	<u>\$ 2,417,791</u>	<u>\$ 1,956,744</u>

See accompanying notes

On behalf of the board

Brain Tumour Foundation of Canada
Statement of Cash Flows
Year ended December 31, 2010

	2010	2009
Operating activities		
Excess of revenues over program expenditures	\$ 386,847	\$ 279,843
Item not affecting cash		
Amortization	27,340	18,414
	<u>414,187</u>	<u>298,257</u>
Change in non-cash working capital items		
(Increase) decrease in HST receivable	(17,688)	2,781
(Increase) decrease in prepaids and material for resale	34,202	(22,419)
Increase (decrease) in accounts payable and accrued liabilities	38,307	(6,490)
Increase (decrease) in research fund grant payable	50,000	(59,554)
(Decrease) increase in general fund grant payable	(22,300)	22,300
Increase in investments and change in fair market value	(198,809)	(541,732)
	<u>297,899</u>	<u>(306,857)</u>
Investing activities		
Purchase of property, plant and equipment	(77,961)	(10,085)
Transfer to Research Fund	-	(54,286)
	<u>(77,961)</u>	<u>(64,371)</u>
Financing activity		
Due to Research Fund	-	54,286
Change in cash position	219,938	(316,942)
Cash, beginning of year	<u>497,892</u>	<u>814,834</u>
Cash, end of year	<u>\$ 717,830</u>	<u>\$ 497,892</u>

See accompanying notes

1. Nature of operations

The Brain Tumour Foundation of Canada was incorporated on February 11, 1985 as a registered charity and is a national organization dedicated to reaching every person in Canada affected by a brain tumour through support, education, information and research.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized as follows.

(a) Fund accounting

The Foundation has the following funds:

(i) General Fund

The General Fund accounts for the day to day operating activities of the Foundation.

(ii) Endowment Fund

The Endowment Fund is held by the London Community Foundation and consists of four funds: Hannah Patterson Legacy Fund, Kelly Northey Fund, David Bloom Fund and the Brain Tumour Foundation (General) Fund.

(iii) Research Fund

The Research Fund consists of externally restricted fund from the William Nash Bequest which are use to fund Board approved research grants.

2. Significant accounting policies, continued

(b) Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.

Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted interest and dividend income is recognized as revenue when earned. Investment gains and losses are recognized as revenue whether realized or unrealized.

(c) Recognition of pledges

Because of the uncertainty of the collectibility of pledges, the Foundation recognizes only those pledges for which contributions have been received at the date of completion of these financial statements.

(d) Prepaids and material for resale

Prepaid expenses consist of patient information and marketing materials and have been valued at cost.

2. Significant accounting policies, continued

(e) Financial Instruments

As permitted for non-profit organizations, the Foundation is applying Section 3861 - Financial Instruments - Disclosure and Presentation, in place of Section 3862, Financial Instruments - Disclosures and Section 3863, Financial Instruments - Presentation.

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Foundation's designation of such instruments. The Foundation's financial instruments consist of:

Cash	Held for trading
Short term investments	Held for trading
Accounts payable and accrued liabilities	Other liabilities
Grants payable	Other liabilities

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value on the balance sheet date.

Any change in fair value is recognized as a revenue or expense in the period during which the change occurs.

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

(f) Property, plant and equipment

Property, plant and equipment are recorded at cost. The Foundation provides for amortization using the following methods at rates designed to amortize the cost of the property, plant and equipment over their estimated useful lives. The annual amortization rates and methods are as follows:

Office equipment	20% Declining balance
Leasehold improvements	10 Years Straight-line
Computer equipment	30 - 45% Declining balance
Computer software	100% Declining balance
Website	3 Years Straight-line

(g) Logos

Logos are recorded at cost and amortized over their estimated useful lives of 15 years. The Logos are intangible assets and are tested for impairment only when an event or circumstance occurs indicating that the fair value may be lower than their carrying amount.

2. Significant accounting policies, continued

(h) Grants payable

Research grants are recorded upon approval of the Board. The full amount of the grant is paid upon receipt of ethics approval from the institution in which the project is conducted. If the project does not involve human and/or animal subjects and therefore, does not require ethics approval, the funds are paid upon approval of the grant.

(i) Volunteer contributions

Volunteers contribute countless hours to assist the Foundation in carrying out its fundraising activities. Due to the difficulty in determining fair value, volunteer contributions are not recognized in the financial statements.

(j) Income taxes

According to the provisions of the Income Tax Act (Canada), the Foundation is exempt from taxes on income.

During the year, the Foundation expended sufficient amounts on charitable activities and by way of gifts to qualified donees to meet the disbursement quota requirements as defined in paragraph 149.1(1)(e) of the Income Tax Act (Canada).

(k) Expense allocations

The Foundation allocates its general expenses between administrative, development and support based on percentages. This allocation basis consists of 7% to administrative, 18% to development, and 75% to support. The Foundation believes that these allocation rates are appropriate and evaluates the rates annually.

(l) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. By their nature, these estimates are subject to measurement uncertainty. These estimates are reviewed periodically and adjustments are made to income in the year in which they become known. Accounts specifically affected by estimates in these financial statements are the useful life of property, plant and equipment and net realizable value of inventories. Actual results may vary from these estimates.

Brain Tumour Foundation of Canada
Notes to the Financial Statements
December 31, 2010

3. Investments

Investments held under the general fund consist of:

	2010	2009
Cash	\$ 129,706	\$ 22,730
Bonds	429,162	419,733
Marketable securities	285,153	111,863
Money market fund	-	97,250
	<u>\$ 844,021</u>	<u>\$ 651,576</u>

The general fund investments consist of two portfolios; a general investment account and an internally designated stability fund. The investments are recorded at fair market value. The book value of the general investments at December 31, 2010 is \$333,516 and the book value of the investments under the stability fund is \$471,190.

The maturity dates for bonds range from December 3, 2014 to June 2, 2020 and the interest rates range from 3.75% to 4.80%. These investments are actively traded throughout the year and may not be held to maturity.

The Foundation's Board considers the investments in the stability account to be allocated for the insured continuance of the Foundation, and the earnings from those funds will be used to fulfil the priorities identified in the Foundation's mission statement.

4. Research fund investments

Research fund investments consist of:

	2010	2009
Cash	\$ 5,616	\$ 1,364
Bonds	481,218	429,236
Money market fund	10,120	59,990
	<u>\$ 496,954</u>	<u>\$ 490,590</u>

The investments are recorded at fair market value, the book value of the investments at December 31, 2010 is \$457,068.

These funds are invested and held as the "William Donald Nash Memorial Brain Tumour Foundation Research Fellowship". The goal of these funds is to support Clinical and/or Basic Science Research through research grant payments approved by the board.

Brain Tumour Foundation of Canada
Notes to the Financial Statements
December 31, 2010

5. Property, plant and equipment

	2010		2009	
	Cost	Accumulated amortization	Net	Net
Office equipment	\$ 58,051	\$ 36,481	\$ 21,570	\$ 22,224
Leasehold improvements	21,233	13,007	8,226	10,283
Computer equipment	83,124	69,340	13,784	12,608
Computer software	47,464	47,464	-	845
Website	65,897	10,983	54,914	-
	<u>\$ 275,769</u>	<u>\$ 177,275</u>	<u>\$ 98,494</u>	<u>\$ 45,960</u>

The amortization for 2010 was \$25,426 (2009 - \$16,705).

6. Logos

	2010		2009	
	Cost	Accumulated amortization	Net	Net
Registered Logos	\$ 20,297	\$ 9,454	\$ 10,843	\$ 12,757

Logos represent the cost of English and French registered logos designed for the Foundation in 2002. The amortization for 2010 was \$1,914 (2009 - \$1,708).

This intangible asset is tested for impairment only when an event or circumstance occurs indicating that the fair value may be lower than its carrying amount. There were no such events or circumstances in 2010, and as such the Logos were not tested for impairment.

Brain Tumour Foundation of Canada
Notes to the Financial Statements
December 31, 2010

7. Endowment fund

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 122,677	\$ 104,098
Endowment contributions	3,044	5,759
Unrealized gain on endowment fund assets	5,150	12,820
	<u>\$ 130,871</u>	<u>\$ 122,677</u>

The Foundation has established an endowment fund with the London Community Foundation. Each year the investment income from this fund is to be used to benefit the work of the Brain Tumour Foundation of Canada.

8. Research fund

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 490,590	\$ 400,000
Contributions	25,191	54,286
Income from Investments	31,173	36,304
Expenditures - research grant	(100,000)	-
	<u>\$ 446,954</u>	<u>\$ 490,590</u>

The research fund balance included in the statement of financial position consists of the following accounts:

Research fund investments	\$ 496,954
Research fund grant payable	\$ 50,000

On December 10, 2008, the board approved a \$400,000 bequest to be internally restricted for the purpose of funding research. It is the Board's plan to draw down the funds over a 10 year period. In February 2009, a separate investment account was established for this fund to ensure it is segregated and the capital is sustained. The Foundation received an additional \$54,286 in 2009 and \$25,191 in 2010. This money was contributed to the investment account. The funds began being drawn down in 2010 as part of the "William Donald Nash Memorial Brain Tumour Foundation Research Fellowship". A research grant of \$100,000 was approved by the board in 2010. The goal is to support Clinical and/or Basic Science Research which will advance the Foundations vision to find a cause of and cure for brain tumours.

9. Investment risk management

The Foundation has policies and procedures to establish a target asset mix to help protect against the follow risks:

Interest rate risk:

The foundation is exposed to interest rate risk as the value of the assets is affected by market changes in interest rates. Interest rate changes directly impact the value of the fixed income securities.

Market risk:

The value of equity securities changes with stock market conditions, which are affected by general economic and market conditions. The value of securities will vary with developments within the specific companies or governments which issues the securities. The Foundation manages this risk through controls to monitor and limit concentration levels.

Foreign currency risk:

The value of securities denominated in a currency other than the Canadian dollar will be affected by changes in the value of the Canadian dollar in relation to the value of the currency in which the security is denominated.

10. Capital Management

The Foundation's capital consists of its net assets and funds invested in property, plant and equipment. The Foundation's primary objective of capital management is to ensure it has sufficient resources to continue to provide funding for its various activities.

The Foundation has established an endowment fund with the London Community Foundation. The beneficiary of the endowment fund is the Brain Tumour Foundation of Canada. Each year the investment income from this fund is to be used to benefit the work of the Brain Tumour Foundation of Canada.

The Foundation has established a research fund from an external bequest. There is an internally imposed restriction on the fund, which requires the proceeds to be used for clinical or science research in the area of brain tumours.

Brain Tumour Foundation of Canada
Notes to the Financial Statements
December 31, 2010

11. Investment income

	General fund	Research fund	Total 2010	2009
Unrealized capital gains	\$ 23,510	\$ 12,052	\$ 35,562	\$ 45,427
Realized capital gains (losses)	872	-	872	(2,672)
Interest income	16,073	19,121	35,194	35,952
Dividend income	2,578	-	2,578	2,917
Foreign exchange adjustment	1,351	-	1,351	(1,125)
	<u>\$ 44,384</u>	<u>\$ 31,173</u>	<u>\$ 75,557</u>	<u>\$ 80,499</u>

12. Commitments

The Foundation leases office space and equipment under operating lease agreements. The lease is for a five year term and expires in 2013. The aggregate minimum lease payments in each of the next three years are as follows:

2011	\$ 86,300
2012	86,300
2013	<u>79,949</u>
	<u>\$ 252,549</u>

13. Comparative amounts

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior years earnings.