

Brain Tumour Foundation of Canada
Financial Statements
Year ended December 31, 2011

Brain Tumour Foundation of Canada

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Independent Auditor's Report

To the Board of Directors of Brain Tumour Foundation of Canada

We have audited the accompanying financial statements of Brain Tumour Foundation of Canada, which comprise the statement of financial position as at December 31, 2011, and the statements of operations and 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 Foundation'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 Foundation'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 in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of Brain Tumour Foundation of Canada as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the Corporations Act of Ontario, we report that, in our opinion, the accounting principles in Canadian general accepted accounting principles have been applied on a basis consistent with that of the preceding year.



Chartered Accountants
Licensed Public Accountants

London, Canada
March 28, 2012

Brain Tumour Foundation of Canada
Statement of Operations and Changes in Net Assets
Year ended December 31, 2011

	Unrestricted Fund	Restricted Fund	Endowed Fund	Total 2011	Total 2010 <i>Restated</i>
Revenues					
Fundraising events	\$ 2,051,657	\$	25,000	\$ 2,076,657	\$ 1,759,917
Donations	720,089	40,393	1,067	761,549	740,454
Investment income (loss)	15,402	36,238	(183)	51,457	80,707
	<u>2,787,148</u>	<u>76,631</u>	<u>25,884</u>	<u>2,889,663</u>	<u>2,581,078</u>
Fundraising expenditures					
Fundraising events	342,210			342,210	332,856
Other fundraising	248,877			248,877	205,421
	<u>591,087</u>	<u>-</u>	<u>-</u>	<u>591,087</u>	<u>538,277</u>
Program expenditures					
Patient services	1,368,228			1,368,228	1,236,299
Research	527,888			527,888	334,905
	<u>1,896,116</u>	<u>-</u>	<u>-</u>	<u>1,896,116</u>	<u>1,571,204</u>
Administration expenditures					
Salaries	67,590			67,590	56,030
Office and general	14,584			14,584	14,532
Amortization	2,848			2,848	1,914
Miscellaneous	6,846			6,846	4,080
	<u>91,868</u>	<u>-</u>	<u>-</u>	<u>91,868</u>	<u>76,556</u>
Expenditures for the year	<u>2,579,071</u>	<u>-</u>	<u>-</u>	<u>2,579,071</u>	<u>2,186,037</u>
Excess of revenues over expenditures for the year	<u>\$ 208,077</u>	<u>\$ 76,631</u>	<u>\$ 25,884</u>	<u>\$ 310,592</u>	<u>\$ 395,041</u>
Fund Balances, Beginning of Year	\$ 1,710,236	\$ 446,954	\$ 130,871	\$ 2,288,061	\$ 1,902,920
Prior period adjustment (Note 2)	(101,250)	111,150		9,900	
Balance, as restated	<u>1,608,986</u>	<u>558,104</u>	<u>130,871</u>	<u>2,297,961</u>	
Fund Balances, End of Year	<u>\$ 1,817,063</u>	<u>\$ 634,735</u>	<u>\$ 156,755</u>	<u>\$ 2,608,553</u>	<u>\$ 2,297,961</u>

See accompanying notes

Brain Tumour Foundation of Canada
(Incorporated under the laws of Ontario)
Statement of Financial Position
As at December 31, 2011

	Unrestricted Fund	Restricted Fund	Endowed Fund	Total 2011	Total 2010 Restated
ASSETS					
Current Assets					
Cash	\$ 893,404	\$ 6,000		\$ 899,404	\$ 717,830
Short term investments (note 5)	250,402	145,543		395,945	343,125
HST receivable	35,007			35,007	38,477
Inventory	2,296			2,296	5,597
Prepaid expenses	81,389			81,389	74,704
	1,262,498	151,543	-	1,414,041	1,179,733
Long term investments (note 5)	605,996	483,192		1,089,188	997,850
Property, plant, and equipment (note 6)	98,119			98,119	98,494
Logos (note 7)	9,397			9,397	10,843
Endowment fund (note 8)			156,755	156,755	130,871
CSV of life insurance policy (note 9)	11,154			11,154	9,900
	\$ 1,987,164	\$ 634,735	\$ 156,755	\$ 2,778,654	\$ 2,427,691
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	\$ 68,101			\$ 68,101	\$ 79,730
Grant payable	51,000			51,000	50,000
	119,101	-	-	119,101	129,730
Long term portion of grant payable	51,000			51,000	-
	170,101	-	-	170,101	129,730
FUND BALANCES					
Balance per page 3	1,817,063	634,735	156,755	2,608,553	2,297,961
	\$ 1,987,164	\$ 634,735	\$ 156,755	\$ 2,778,654	\$ 2,427,691

See accompanying notes

On behalf of the board

Brain Tumour Foundation of Canada

Statement of Cash Flows

Year ended December 31, 2011

	2011	2010 Restated
Operating activities		
Excess of revenues over program expenditures	\$ 310,592	\$ 395,041
Item not affecting cash		
Amortization	40,679	27,340
	351,271	422,381
Change in non-cash working capital items		
(Increase) decrease in HST receivable	3,470	(17,688)
Decrease (increase) in inventory	3,301	(234)
(Increase) decrease in prepaid expenses	(6,685)	34,436
(Decrease) increase in accounts payable and accrued liabilities	(11,629)	38,307
Increase in research fund grant payable	52,000	50,000
Decrease in general fund grant payable	-	(22,300)
Increase in investments and change in fair market value	(144,158)	(198,809)
	247,570	306,093
Investing activities		
Purchase of property, plant and equipment	(38,858)	(77,961)
Endowment fund	(25,884)	(8,194)
Cash surrender value of life insurance	(1,254)	-
	(65,996)	(86,155)
Change in cash position	181,574	219,938
Cash, beginning of year	717,830	497,892
Cash, end of year	\$ 899,404	\$ 717,830

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. Prior period adjustment

In the prior year there were restricted amounts included in the general fund related to the Motyka fund. The balance of these restricted funds is \$111,150 and the amounts have been reclassified from the unrestricted fund to the restricted fund.

In prior year's the Foundation had not included the cash surrender value (CSV) of the life insurance policy owned by the Foundation. The January 1, 2010 CSV of life insurance and fund balances have been increased by \$9,900 to reflect this balance.

3. Future change in accounting policies

The CICA has approved new accounting standards for not-for-profit organizations. The organization can adopt these new standards or International Financial Reporting Standards. Management and the Board of Directors have determined the accounting standards for not-for-profit organizations are most appropriate for their reporting purposes. The Foundation will be adopting these standards effective for the year ending December 31, 2012. The change in the accounting standards is not expected to have significant impact on the financial statements.

4. 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) Unrestricted Fund

The Unrestricted Fund accounts for the day to day operating activities of the Foundation, including any unrestricted donations and net investment income.

(ii) Restricted Fund

The Restricted Fund consists of externally restricted donations from the Nash Research Fund, Motyka Research Fund, and the Research-Studentship Fund. These funds are to be used in accordance with restrictions in place and require board approval for payment.

(iii) Endowment Fund

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

(b) Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions.

Restricted contributions are recognized as revenue of the restricted fund in the period in which they are received or receivable.

Unrestricted contributions are recognized as revenue of the unrestricted fund in the period in which they are received or receivable.

Restricted net investment income is recognized as revenue of the restricted fund in the year in which it is received or receivable. Unrestricted net investment income is recognized as revenue of the unrestricted fund when it is received or receivable. Investment gains and losses are recognized as revenue whether realized or unrealized.

Endowment contributions are recognized as revenue of the endowment fund in the period in which they are received or receivable. Net investment income is added to the principal amount of resources held for endowment in the statement of operations.

4. Significant accounting policies, continued

(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) Inventory

Inventory is stated at the lower of cost and net realizable value.

(e) Prepaid expenses

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

(f) 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
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.

4. Significant accounting policies, continued

(g) 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 - 50% Declining balance
Computer software	100% Declining balance
Website	3 Years Straight-line

(h) 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.

(i) 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.

(j) 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.

(k) 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).

4. Significant accounting policies, continued

(l) 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.

(m) 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 inventory. Actual results may vary from these estimates.

(n) In kind donations

Materials and services donated to the Foundation that are normally purchased, are recorded at their fair value as a donation and corresponding expense. These amounted to \$24,383 in 2011 (\$29,857 in 2010).

5. Investments

The short term investments held in the general fund consist of:

	2011 FMV	2011 Cost	2010 FMV	2010 Cost
Cash	\$ 4,753	\$ 4,752	\$ 111,125	\$ 111,125
Fixed income	354,532	333,390	232,000	222,390
Marketable securities	36,660	36,660	-	-
	<u>\$ 395,945</u>	<u>\$ 374,802</u>	<u>\$ 343,125</u>	<u>\$ 333,515</u>

Included in the short term investments are restricted investments of \$145,543 held in the Motyka Research Fund.

Brain Tumour Foundation of Canada

Notes to the Financial Statements

December 31, 2011

5. Investments, continued

The long term investments consist of two portfolios; an internally designated stability fund and the restricted research fund investments:

	2011 FMV	2011 Cost	2010 FMV	2010 Cost
Cash	\$ 30,179	\$ 30,179	\$ 24,196	\$ 24,196
Bonds	695,296	661,016	678,381	634,758
Common shares	343,579	352,068	285,153	259,177
Money market fund	20,134	20,128	10,120	10,120
	<u>\$ 1,089,188</u>	<u>\$ 1,063,391</u>	<u>\$ 997,850</u>	<u>\$ 928,251</u>

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.

The research funds are invested and held as the Nash Research Fund. The goal of these funds is to support Clinical and/or Basic Science Research through research grant payments approved by the board.

6. Property, plant and equipment

	2011		2010	
	Cost	Accumulated amortization	Net	Net
Office equipment	\$ 62,847	\$ 41,274	\$ 21,573	\$ 21,570
Leasehold improvements	28,036	15,470	12,566	8,226
Computer equipment	99,808	76,922	22,886	13,784
Computer software	49,464	48,464	1,000	-
Website	74,472	34,378	40,094	54,914
	<u>\$ 314,627</u>	<u>\$ 216,508</u>	<u>\$ 98,119</u>	<u>\$ 98,494</u>

The amortization for 2011 was \$39,233 (2010 - \$25,426).

Brain Tumour Foundation of Canada

Notes to the Financial Statements

December 31, 2011

7. Logos

	2011		2010	
	Cost	Accumulated amortization	Net	Net
Registered Logos	\$ 18,851	\$ 9,454	\$ 9,397	\$ 10,843

Logos represent the cost of English and French registered logos designed for the Foundation in 2002. The amortization for 2011 was \$1,446 (2010 - \$1,914).

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 2011, and as such the Logos were not tested for impairment.

8. Endowment fund

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.

9. CSV of life insurance policy

The Foundation owns one life insurance policy that has a cash surrender option. The donor pays the premiums for this policy and the cash surrender value is available to the Foundation at any time.

10. Restricted fund

	2011	2010
Nash Research Fund	\$ 483,192	\$ 446,954
Motyka Research Fund	145,543	111,150
Research-Studentship Fund	6,000	-
	<u>\$ 634,735</u>	<u>\$ 558,104</u>

11. 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.

12. 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.

The Foundation has established a research fund from an external bequest and other gifts. There are externally imposed restrictions on these funds, 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, 2011

13. Commitments

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

2012	\$ 86,300
2013	88,312
2014	8,362
2015	8,362
2016	8,362
Subsequent years	<u>4,181</u>
	<u>\$ 203,879</u>