

**Brain Tumour Foundation of
Canada
Financial Statements**

Year ended December 31, 2017

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, 2017, 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 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.

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 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 events and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising events revenues, donations revenues, excess (deficiency) of revenues over expenditures and its cash flows for the year ended December 31, 2017, current assets and fund balances for the year then ended.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Brain Tumour Foundation of Canada as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Independent Auditor's Report, continued

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 accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Other Matter

The financial statements of Brain Tumour Foundation of Canada for the year ended December 31, 2016, were audited by another auditor who expressed a modified opinion on the completeness of revenue on those statements on May 1, 2017.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

London, Canada
March 26, 2018

Brain Tumour Foundation of Canada
Statement of Operations and Changes in Net Assets
Year ended December 31, 2017

	Unrestricted Fund	Restricted Fund	Endowment Fund	Total 2017	Total 2016
Revenues					
Fundraising events	\$ 1,887,447	\$ 328,721	\$ -	\$ 2,216,168	\$ 2,128,713
Donations	464,104	747,155	59,714	1,270,973	715,511
Other revenue (note 13)	26,735	-	-	26,735	19,711
Investment income	120,288	-	32,130	152,418	117,881
	<u>2,498,574</u>	<u>1,075,876</u>	<u>91,844</u>	<u>3,666,294</u>	<u>2,981,816</u>
Fundraising expenditures					
Fundraising events	168,268	-	-	168,268	162,687
Other fundraising	393,876	-	-	393,876	350,138
	<u>562,144</u>	<u>-</u>	<u>-</u>	<u>562,144</u>	<u>512,825</u>
Program expenditures					
Patient services	1,784,286	27,910	-	1,812,196	1,749,893
Research	98,399	381,170	-	479,569	352,073
	<u>1,882,685</u>	<u>409,080</u>	<u>-</u>	<u>2,291,765</u>	<u>2,101,966</u>
Administration expenditures					
Salaries	96,161	-	-	96,161	89,600
Office and general	147,112	-	3,294	150,406	135,704
Amortization	3,210	-	-	3,210	2,572
Miscellaneous	4,215	-	-	4,215	4,286
	<u>250,698</u>	<u>-</u>	<u>3,294</u>	<u>253,992</u>	<u>232,162</u>
Expenditures for the year	<u>2,695,527</u>	<u>409,080</u>	<u>3,294</u>	<u>3,107,901</u>	<u>2,846,953</u>
Excess (deficiency) of revenues over expenditures for the year	<u>\$ (196,953)</u>	<u>\$ 666,796</u>	<u>\$ 88,550</u>	<u>\$ 558,393</u>	<u>\$ 134,863</u>
Fund Balances, Beginning of Year	\$ 1,428,730	\$ 380,845	\$ 285,746	\$ 2,095,321	\$ 1,960,458
Interfund transfer	\$ 46,860	\$ (34,130)	\$ (12,730)	-	-
Fund Balances, End of Year	<u>\$ 1,278,637</u>	<u>\$ 1,013,511</u>	<u>\$ 361,566</u>	<u>\$ 2,653,714</u>	<u>\$ 2,095,321</u>

See accompanying notes

Brain Tumour Foundation of Canada

(Incorporated under the laws of Ontario)

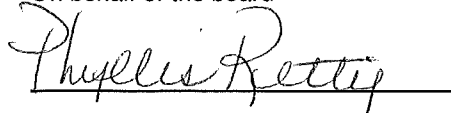
Statement of Financial Position

As at December 31, 2017

	2017	2016
Assets		
Current		
Cash	\$ 322,517	\$ 400,714
Short-term investments (note 3)	453,999	787,725
HST receivable	45,829	49,449
Prepaid expenses	126,274	115,285
	948,619	1,353,173
Long-term investments (note 4)	1,778,523	998,553
Property, plant and equipment (note 5)	120,002	21,305
Intangible assets (note 6)	28,642	56,498
Endowment Fund (note 7)	361,567	285,746
CSV of life insurance policy (note 8)	-	16,948
	\$ 3,237,353	\$ 2,732,223
Liabilities		
Current		
Accounts payable and accrued liabilities (note 9)	\$ 70,141	\$ 54,402
Grants payable (note 11)	331,310	286,250
Deferred revenue	4,000	-
Current portion of capital lease obligation	32,812	-
	438,263	340,652
Long-term portion of grants payable (note 11)	125,000	296,250
Capital lease obligation (note 10)	20,376	-
	583,639	636,902
Commitments (note 12)		
Fund Balances		
Unrestricted Fund per page 3	1,278,637	1,428,730
Restricted Fund (note 15) per page 3	1,013,511	380,845
Endowment Fund (note 7) per page 3	361,566	285,746
	2,653,714	2,095,321
	\$ 3,237,353	\$ 2,732,223

See accompanying notes

On behalf of the board





Brain Tumour Foundation of Canada
Statement of Cash Flows
Year ended December 31, 2017

	2017	2016
Operating activities		
Excess of revenues over program expenditures	\$ 558,393	\$ 134,866
Items not affecting cash		
Loss on sale of property, plant and equipment	4,876	-
Amortization	45,852	36,736
	609,121	171,602
Change in non-cash working capital items		
Increase in HST receivable	3,620	(13,475)
Decrease in inventory	-	6,536
(Increase) decrease in prepaid expenses	(10,989)	(55,239)
Increase (decrease) in accounts payable and accrued liabilities	15,739	(5,296)
Decrease in grants payable	(126,190)	(142,500)
Decrease in deferred revenue - Docs on Ice	4,000	-
Decrease (increase) in investments	(446,244)	59,355
	49,057	20,983
Investing activities		
Purchase of property, plant and equipment	(121,569)	(2,233)
Purchase of intangible assets	-	(13,686)
Increase in Endowment Fund investments	(75,821)	(8,706)
Proceeds (increase in net) from CSV of life insurance policy	16,948	(1,131)
	(180,442)	(25,756)
Financing activities		
Repayment of capital lease obligation	(28,821)	-
Proceeds of capital lease obligation	82,009	-
	53,188	-
Change in cash position	(78,197)	(4,773)
Cash, beginning of year	400,714	405,487
Cash, end of year	\$ 322,517	\$ 400,714

See accompanying notes

Brain Tumour Foundation of Canada

Notes to the Financial Statements

December 31, 2017

1. **Nature of operations**

The Brain Tumour Foundation of Canada (the "Foundation") 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 accounting standards for not-for-profit organizations. 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 fundraising events revenue, donations, other revenue and net investment income.

(ii) **Restricted Fund**

The Restricted Fund consists of externally restricted fundraising events revenue and donations that are to be used in accordance with restrictions in place and require Board of Directors approval for payment.

(iii) **Endowment Fund**

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

(b) **Revenue recognition**

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

Restricted contributions including fundraising events, donations and other revenue are recognized as revenue of the restricted fund in the period in which they are received or receivable.

Unrestricted contributions including fundraising events, donations and other revenue 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.

(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) **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:

Brain Tumour Foundation of Canada

Notes to the Financial Statements

December 31, 2017

2. Significant accounting policies, continued

(d) Property, plant and equipment, continued

Office equipment	20% Declining balance
Leasehold improvements	10 years Straight-line
Computer equipment	50% Declining balance
Signs	5 years Straight-line
Asset under capital lease	5 years Straight-line

(e) Intangible assets

Logos represent the cost of English and French registered logos designed for the Foundation in 2002. Logos are recorded at cost and amortized over their estimated useful lives of 15 years. Website is recorded at cost and amortized over the estimated useful life of 3 years. Computer software is recorded at cost and amortized over the estimated useful life of 5 years.

These intangible assets are tested for impairment only when an event or circumstance occurs indicating that the fair value may be lower than their carrying amount.

(f) Grants payable

Grants are recorded upon approval of the Committees of the Board of Directors. If ethics approval is required, this is obtained from the institution in which the project is conducted prior to any funds being disbursed. If the project does not involve human and/or animal subjects, ethics approval is not required. The funds are paid to the recipient according to the payment terms specified in the grant agreement.

(g) 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.

(h) 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)(f) of the Income Tax Act (Canada).

Brain Tumour Foundation of Canada

Notes to the Financial Statements

December 31, 2017

2. Significant accounting policies, continued

(i) Financial instruments

(i) Measurement of financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

The Foundation subsequently measures its financial assets and financial liabilities at amortized cost, except for bonds, common shares and other marketable securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and accounts receivable. Financial assets measured at fair value include short-term investments, Endowment Fund and long-term investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and grants payable.

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income. The write down reflects the difference between the carrying amount and the higher of:

- ♦ the present value of the cash flows expected to be generated by the asset or group of assets;
- ♦ the amount that could be realized by selling the assets or group of assets;
- ♦ the net realizable value of any collateral held to secure repayment of the assets or group of assets.

When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment.

(j) Expense allocations

The Foundation allocates its general expenses, with the exception of marketing and communications, between administrative, other fundraising and patient services based on percentages. This allocation basis consists of 7% to administrative, 18% to other fundraising and 75% to patient services. Marketing and communications expenses are allocated 15% to other fundraising and 85% to patient services. The Foundation believes that these allocation rates are appropriate and evaluates the rates annually.

(k) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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, useful life of intangible assets, net realizable value of inventory, and in-kind donations. Actual results may vary from these estimates.

Brain Tumour Foundation of Canada

Notes to the Financial Statements

December 31, 2017

2. Significant accounting policies, continued

(l) 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 \$6,499 (2016 - \$23,150).

3. Short term investments

Short term investments are recorded at fair market value and consist of:

	2017	2016
RBC portfolio	\$ 453,999	\$ 787,725

Included in the short term investments are restricted investments of \$29,840 (\$124,475 in 2016) held in the Richard Motyka Research Fellowship Fund.

4. Long-term investments

Long-term investments are recorded at fair market value and consist of:

	2017	2016
RBC portfolio	\$ 1,778,523	\$ 998,553

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

The Foundation's Board of Directors considers the investments in the stability account to be allocated for the ensured 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 William Donald Nash Research Fellowship Fund and A.E. Research Fund. The goal of these funds is to support clinical and/or basic science research through research grant payments approved by the board.

5. Property, plant and equipment

	2017		2016	
	<i>Cost</i>	<i>Accumulated amortization</i>	<i>Net</i>	<i>Net</i>
Office equipment	\$ 76,063	\$ 62,127	\$ 13,936	\$ 11,146
Leasehold improvements	10,687	535	10,152	4,876
Computer equipment	136,180	121,770	14,410	5,283
Signs	8,551	855	7,696	-
	231,481	185,287	46,194	21,305
Asset under capital lease	82,009	8,201	73,808	-
	\$ 313,490	\$ 193,488	\$ 120,002	\$ 21,305

The amortization for 2017 was \$18,430 (2016 - \$8,366).

Brain Tumour Foundation of Canada

Notes to the Financial Statements

December 31, 2017

6. Intangible assets

	<i>2017</i>		<i>2016</i>	
	<i>Cost</i>	<i>Accumulated amortization</i>	<i>Net</i>	<i>Net</i>
Registered logos	\$ 25,627	\$ 25,627	\$ -	\$ 854
Website	99,800	92,956	6,844	11,406
Computer software	161,664	139,866	21,798	44,238
	\$ 287,091	\$ 258,449	\$ 28,642	\$ 56,498

The amortization of intangible assets for 2017 was \$27,866 (2016 - \$28,370).

7. 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 Foundation. The Endowment Fund is recorded at fair value. The balance consists of the following funds:

	<i>2017</i>		<i>2016</i>	
General	\$ 24,610	\$ 23,457		
Kelly Northey Legacy	29,131	28,320		
David Bloom Legacy	31,552	31,133		
Hannah Patterson Legacy	79,256	77,614		
R. Angus King Legacy	137,861	125,222		
Pam and Rolando Del Maestro Family	59,156	-		
	\$ 361,566	\$ 285,746		

8. CSV of life insurance policy

The Foundation owned one life insurance policy that has a cash surrender option. The donor passed away in the year and Brain Tumour Foundation of Canada was paid out on the death benefit of \$30,455.

9. Government remittances payable

The accounts payable include the following amounts of government remittances payable:

	<i>2017</i>		<i>2016</i>	
Income tax withheld at source	\$ 4,158	\$ 2,961		
Canada pension plan	2,255	1,617		
Employment insurance	966	683		
	\$ 7,379	\$ 5,261		

Brain Tumour Foundation of Canada

Notes to the Financial Statements

December 31, 2017

10. **Capital lease obligation**

	2017	2016
Capital lease contract for equipment with net book value of \$48,609, repayable in monthly installments of \$2,349 plus HST including interest at 0% per annum with a maturity date of February 2019 and a buyout option of \$1 at maturity.	\$ 29,813	\$ -
Capital lease contract for equipment with net book value of \$25,199, repayable in monthly installments of \$518 plus HST including interest at 4.17% per annum with a maturity date of January 2022 and a buyout option of \$10 at maturity.	23,375	-
	53,188	-
Less current portion	32,812	-
Due beyond one year	\$ 20,376	\$ -
<p>Capital leases are recorded at an amount equal to the present value of the lease payments using the interest rate implicit in the lease. The implicit interest rate of these obligations are 4.17% and their expiry dates are from February, 2019 to January, 2022. The following is a schedule of future minimum lease payments under capital leases.</p>		
2018	\$ 34,404	
2019	8,561	
2020	6,212	
2021	6,212	
2022	528	
Total future minimum lease payments	55,917	
Less amount representing interest	2,729	
Present value of minimum net lease payments	53,188	
Less current portion	32,812	
	\$ 20,376	

Interest charges to the accounts of the Foundation on the above during the year amounts to \$2,716.

Brain Tumour Foundation of Canada

Notes to the Financial Statements

December 31, 2017

11. Grants payable

During the year, the Foundation entered into transactions with the following related parties:

	<i>2017</i>	<i>2016</i>
Registry Project	\$ 131,310	\$ 46,250
Studentships	25,000	15,000
Canadian Cancer Society - Impact Grant Fund	125,000	125,000
Richard Motyka Fellowship	50,000	-
Nazira Mamdani Fellowship	-	50,000
William Donald Nash Fellowship	-	50,000
Current portion of grants payable	331,310	286,250
Registry Project	-	46,250
Canadian Cancer Society - Impact Grant Fund	125,000	250,000
Long-term portion of grants payable	125,000	296,250
	\$ 456,310	\$ 582,500

12. Commitments

The Foundation leases office space and equipment under operating lease agreements. The London office space lease on Horton St commenced February 1, 2018. The new office lease is for a seven year term and expires January, 2024. The aggregate minimum lease payments including HST are as follows:

2018	\$ 95,851	
2019	97,035	
2020	98,222	
2021	99,404	
2022	97,464	
Subsequent years	96,725	
	\$ 584,701	

Blackbaud agreement

The Foundation has made an annual commitment of \$30,180 for the aggregate amount of \$90,540 on a three year contract expiring December 19, 2019 to obtain subscription based services to upgrade their computer software.

Brain Tumour Tissue Bank Project

Subsequent to year-end, the Foundation has committed to a donation of \$85,941 in 2018 for the Tissue Bank Project administered by the London Health Sciences Centre.

Brain Tumour Foundation of Canada

Notes to the Financial Statements

December 31, 2017

13. **Other revenue**

Other revenue consists of Nevada, merchandise, registration fees for information days, interest income on bank accounts and Year of the Brain.

14. **Financial instruments and risks**

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.

Liquidity risk

Liquidity risk is the risk that the Foundation will not be able to meet its obligations as they become due. The Foundation manages this risk by establishing budgets and funding plans. Cash is held in an interest bearing account which provides a rate of return as well as liquidity.

Credit risk

The financial instruments that potentially subject the Foundation to a significant concentration of credit risk consist primarily of cash, short-term investments, long-term investments and Endowment Fund. The Foundation mitigates its exposure to credit loss by placing its cash and investments with a Chartered Canadian Bank.

There have been no changes in the Foundation's risk exposures from the prior year.

Brain Tumour Foundation of Canada

Notes to the Financial Statements

December 31, 2017

15. **Restricted fund**

The Foundation's restricted fund consists of the following balances at year-end:

	2017	2016
Advocacy	\$ -	\$ 3,109
A.E. Research Fund	492,711	-
Brainwave	25,061	32,128
Canadian Cancer Society - Impact Grant Fund	(45,530)	(327,117)
Evan Leverage Legacy	-	7,656
Handbooks	4,958	-
Neuro-Oncology Research	-	80
Programs & Services	-	42,264
Research - General	115,130	101,096
Research Pediatric	6,270	30,945
Research - Registry	54,172	(14,028)
Research - Studentship Fund	29,797	64,285
Richard Motyka Research Fellowship Fund	29,840	124,475
Video Series	5,570	5,570
William Donald Nash Research Fellowship Fund	283,192	283,192
Youth Education Awards	12,340	27,190
	\$ 1,013,511	\$ 380,845

16. **Interfund transfers**

During the year, the board approved the transfer of \$12,730 from the Endowment Fund to the Unrestricted Fund to be spent in accordance with donor instructions. The board also approved the transfer of \$34,130 from the Restricted Fund to the Unrestricted Fund.