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Financial statements of

**Pancreatic Cancer Canada
Foundation**

December 31, 2018

Pancreatic Cancer Canada Foundation

December 31, 2018

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Financial statements of
Pancreatic Cancer Canada
Foundation
December 31, 2018



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Independent Auditor's Report

To the members of the Pancreatic Cancer Canada Foundation

Qualified Opinion

We have audited the accompanying financial statements of the Pancreatic Cancer Canada Foundation (the Foundation), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2018, 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from fundraising and donations activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising and donation revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2017 and 2018, current assets as at December 31, 2017 and 2018, and net assets as at January 1 and December 31 for both the 2017 and 2018 years. Our audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Emphasis of Matter- Restated Comparative Information

We draw attention to Note 4 to the financial statements, which explains that certain comparative information presented for the year ended December 31, 2017 has been restated. Our opinion is not modified in respect of this matter.

As part of our audit of the financial statements for the year ended December 31, 2018, we also audited the adjustments that were applied to restate certain comparative information for the year ended December 31, 2017, which are used to drive the January 1, 2018 balance sheet. In our opinion, such adjustments are appropriate and have been properly applied.

Responsibilities of Management and Those Charged with Governance 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.



In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Newmarket, Ontario
April 16, 2019

Pancreatic Cancer Canada Foundation

Statement of financial position as at December 31, 2018

| | 2018 | 2017 (Restated - Note 4) |
|---|------------------|--------------------------------|
| | \$ | \$ |
| Assets | | |
| Current assets | | |
| Cash | 1,014,665 | 1,056,697 |
| Accounts receivable | 16,347 | - |
| HST recoverable | 99,129 | 53,670 |
| Prepaid expenses and deposits | 22,748 | 7,553 |
| | 1,152,889 | 1,117,920 |
| Tangible capital assets (Notes 3 and 5) | 21,924 | 27,832 |
| | 1,174,813 | 1,145,752 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Note 6) | 105,629 | 263,024 |
| Deferred revenue (Note 7) | 96,666 | 245,671 |
| | 202,295 | 508,695 |
| Commitments (Note 9) | | |
| Fund balances | | |
| Restricted funds (Notes 2 and 8) | 681,314 | 150,000 |
| Unrestricted funds | 291,204 | 487,057 |
| | 972,518 | 637,057 |
| | 1,174,813 | 1,145,752 |

Approved by the Board


 _____ Director


 _____ Director

The accompanying notes to the financial statements are an integral part of this financial statement.

Pancreatic Cancer Canada Foundation

Statement of cash flows year ended December 31, 2018

| | 2018 | 2017 (Restated - Note 4) |
|--|------------------|--------------------------------|
| | \$ | \$ |
| Operating activities | | |
| Excess (deficiency) of revenue over expenses | | |
| Operations fund | (195,853) | (298,390) |
| Restricted funds | 531,314 | - |
| | 335,461 | (298,390) |
| Items not affecting cash | | |
| Loss on disposal of investments | 14,463 | - |
| Amortization expense | 8,900 | 6,327 |
| | 358,824 | (292,063) |
| Changes in non-cash operating items | | |
| Accounts receivable | (16,347) | - |
| HST recoverable | (45,459) | 15,889 |
| Prepaid expenses and deposits | (15,195) | (2,811) |
| Accounts payable and accrued liabilities | (157,395) | (495,453) |
| Deferred contributions | (149,005) | 245,671 |
| | (24,577) | (528,767) |
| Investing activities | | |
| Acquisition of investments | (398,965) | - |
| Proceeds of investment disposition | 384,502 | - |
| Purchase of tangible capital assets | (2,992) | (30,317) |
| | (17,455) | (30,317) |
| Net cash outflow | (42,032) | (559,084) |
| Cash, beginning of year | 1,056,697 | 1,615,781 |
| Cash, end of year | 1,014,665 | 1,056,697 |

The accompanying notes to the financial statements are an integral part of this financial statement.

Pancreatic Cancer Canada Foundation

Notes to the financial statements

December 31, 2018

1. Significant accounting policies

Nature and purpose of organization

The Pancreatic Cancer Canada Foundation (the "Foundation") is a not-for-profit organization incorporated without share capital under the laws of Ontario. The Foundation is engaged in the operation of promoting awareness and to fund research into early detection and treatment of pancreatic cancer. The Foundation is a registered charity under the Income Tax Act and, as such, is exempt from income taxes and may issue income tax receipts to donors.

Basis of accounting

The financial statements of the Foundation have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The significant accounting policies are as follows:

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions, which consists of donations, bequests, proceeds from special events, and investment income.

The financial statements separately disclose the activities of the following funds maintained by the Foundation:

Operations fund

- The Operations Fund comprises amounts available for immediate use for the general purpose of the Foundation as determined by the Board of Directors.

Restricted funds

- The Restricted Fund comprises amounts that are to be used for specific purposes as specified by the donors, the Board of Directors, or as stipulated by the fundraising appeal.

Revenue recognition

Revenue from donations, corporate partnerships and other contributions including gifts in kind, is recorded when received. Restricted contributions are recorded as revenue of the appropriate restricted fund. Events revenue is recognized when the event has occurred and when collection is reasonably assured.

Investment income

Investment income is accrued as it is earned. Investment income includes dividend and interest income, and realized and unrealized gains and losses net of investment management fees. General investment income earned on the assets of the Restricted Funds is recognized as revenue of the Restricted Fund. General investment income earned on the assets of the Operations Fund is recognized as revenue of the Operations Fund. Transaction costs are expensed as incurred.

Contributed goods and services

Donors contribute gifts in kind for use in special fundraising events, and for the Foundation's use in operations and would otherwise have been purchased. These gifts are recognized at their fair market value when such value can be reasonably determined.

Contributed securities

Gifts of publicly-traded securities are recognized at estimated fair value based on the published closing price on the date of receipt, when such information is available, or other estimated fair value as applicable.

Volunteer fundraising activities

The work of the Foundation is dependent on the volunteer activities of many individuals. Because these services are not normally purchased by the Foundation and because of the difficulty in determining their fair value, donated services are not recognized in these financial statements.

Pancreatic Cancer Canada Foundation

Notes to the financial statements

December 31, 2018

1. Significant accounting policies (continued)

Financial instruments

The Foundation initially recognizes financial instruments at fair value and subsequently measures them at each reporting date as follows:

| <u>Asset/liability</u> | <u>Measurement</u> |
|--|--------------------|
| Cash | Fair value |
| Accounts receivable | Amortized cost |
| HST recoverable | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |

Financial assets measured at amortized cost are assessed at each reporting date for indications of impairment. If such impairment exists, the asset is written down and the resulting impairment loss is recognized in the statement of operations and changes in fund balances for the period.

The Foundation measures its investments at fair value.

Tangible capital assets

Purchased tangible capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

| | <u>Method</u> | <u>Estimated useful life</u> |
|-------------------------|---------------|------------------------------|
| Furniture and equipment | Straight line | 5 years |
| Computer equipment | Straight line | 3 years |

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 reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available. Areas requiring significant estimates and assumptions include the useful life and valuation of tangible capital assets.

Allocation of costs by function

The organization records a number of its expense by function: Administration and general, fundraising, programs – awareness, education, patient support and advocacy, research and special events.

Salary, rental, business development and website costs are allocated on the following basis:

- Salary costs: Based on the time worked by each employee for each function
- Rental costs: Based on the space used for each function
- Business development costs: Based on the business development activities of each function
- Website costs: Based on website use by each function

Pancreatic Cancer Canada Foundation

Notes to the financial statements

December 31, 2018

2. Changes in accounting policy

Effective January 1, 2018, the Foundation changed its accounting policy so as to apply the restricted fund method to recognize revenue. Previously, revenues were recognized using the deferral method. This is a voluntary change in accounting policy as management believes that the restricted fund method provides more relevant information as the Foundation focuses on fundraising to support its mission. For both the current and prior periods there are no financial statement line items affected as a result of this change.

3. Changes in accounting estimates

Use of estimates

During the period, the Foundation changed the amortization method for furniture and computer equipment from the declining balance method at 20% and 45% respectively, to straight-line method. The useful life of furniture is estimated at five years, and of computer equipment is estimated at three years. This change in accounting estimates was accounted for prospectively as of the current period and increased amortization expense for the period by \$877.

4. Prior period adjustments

Statement of financial position December 31, 2017

| | As previously reported | Correction of error | Notes | As restated |
|---|---------------------------|------------------------|----------|-------------|
| | \$ | \$ | | \$ |
| Assets | | | | |
| Current | | | | |
| Cash | 1,056,697 | - | | 1,056,697 |
| Harmonized sales tax receivable | 53,670 | - | | 53,670 |
| Prepaid expenses | 7,553 | - | | 7,553 |
| | 1,117,920 | - | | 1,117,920 |
| Tangible capital assets | 27,832 | - | | 27,832 |
| | 1,145,752 | - | | 1,145,752 |
| Liabilities and Net Assets | | | | |
| Current | | | | |
| Accounts payable and accrued liabilities | 134,864 | 128,160 | (a) | 263,024 |
| Deferred contributions | 150,000 | 95,671 | (b) | 245,671 |
| | 284,864 | 223,831 | | 508,695 |
| Net Assets | | | | |
| Restricted | 150,000 | - | | 150,000 |
| Unrestricted | 710,888 | (223,831) | (a), (b) | 487,057 |
| | 860,888 | (223,831) | | 637,057 |
| | 1,145,752 | - | | 1,145,752 |

Pancreatic Cancer Canada Foundation

Notes to the financial statements

December 31, 2018

4. Prior period adjustments (continued)

Statement of operations

For the year ended December 31, 2017

| | As previously reported | Correction of error | Notes | As restated |
|--|---------------------------|------------------------|-------|------------------|
| | \$ | \$ | | \$ |
| Revenue | | | | |
| Special events | 157,812 | (95,671) | (b) | 62,141 |
| Major gifts | 1,089,886 | - | | 1,089,886 |
| | <u>1,247,698</u> | <u>(95,671)</u> | | <u>1,152,027</u> |
| Expenses | | | | |
| Administration and general | 219,843 | - | | 219,843 |
| Fundraising | 580,521 | 128,160 | (a) | 708,681 |
| Special events | 137,570 | - | | 137,570 |
| Programs | 241,480 | - | | 241,480 |
| Research | 96,550 | - | | 96,550 |
| | <u>1,275,964</u> | <u>128,160</u> | | <u>1,404,124</u> |
| Deficiency of revenue over expenses before undernoted | (28,266) | (223,831) | | (252,097) |
| Investment income | 3,707 | - | | 3,707 |
| Deficiency of revenue over expenses before grants | (24,559) | (223,831) | | (248,390) |
| Grants awarded | 50,000 | - | | 50,000 |
| Deficiency of revenue over expenses | <u>(74,559)</u> | <u>(223,831)</u> | | <u>(298,390)</u> |

- a) Management has determined that some expenses related to a marketing campaign which occurred in 2017 were recorded in 2018 when paid. As a result, the accounts payable and accrued liabilities balance as at January 1, 2018 was increased by \$128,160, and the 2017 financial statements were restated. The line items unrestricted fundraising expense and deficiency of unrestricted revenues over expenses on the 2017 statement of operations were increased by \$128,160.
- b) Management has determined that some revenue related to an event held in January 2018 was recognized the prior period when they should have been recorded as deferred contributions. As a result, the deferred contributions balance as at January 1, 2018 was increased by \$95,671 and the 2017 financial statements were restated. The line items unrestricted events revenue and deficiency of revenues over expenses on the 2017 statement of operations were increased by \$95,671

Pancreatic Cancer Canada Foundation

Notes to the financial statements

December 31, 2018

5. Tangible Capital Assets

| | 2018 | | 2017 | |
|-------------------------|---------------|--------------------------|---------------|--------------------------|
| | Cost | Accumulated amortization | Cost | Accumulated amortization |
| Furniture and equipment | 20,337 | 5,865 | 17,345 | 1,885 |
| Computer equipment | 18,048 | 10,596 | 18,048 | 5,676 |
| | 38,385 | 16,461 | 35,393 | 7,561 |
| Net book value | | 21,924 | | 27,832 |

6. Government remittances

Included in accounts payable and accrued liabilities are government remittances payable of \$2,721 (2017 - \$Nil).

7. Deferred contributions

Deferred contributions represent unspent operations funds received in the current period and related to events or expenses of a subsequent period. Changes in deferred contributions are as follows:

| | 2018 | 2017 |
|---|---------------|---------------------|
| | | (Restated - Note 4) |
| | \$ | \$ |
| Opening balance | 245,671 | - |
| Donations received in the year | 96,666 | 295,671 |
| Less: Amounts recognized as revenue in the year | 245,671 | 50,000 |
| Ending balance | 96,666 | 245,671 |

8. Restricted funds

Restricted funds are comprised of:

| | 2018 | 2017 |
|-----------------------------|----------------|----------------|
| | \$ | \$ |
| Restricted fund | | |
| Internally restricted fund | 150,000 | 150,000 |
| Externally restricted funds | 531,314 | - |
| | 681,314 | 150,000 |

Internally restricted funds have been restricted as research funds. These internally restricted amounts are not available for any other purposes without approval of the Board of Directors.

Pancreatic Cancer Canada Foundation

Notes to the financial statements

December 31, 2018

9. Lease commitments

The Foundation has a lease commitment for office space at market rates. The approximate annual payments due under this lease are as follows:

| Fiscal year ending | \$ |
|--------------------|---------------|
| 2019 | 54,248 |
| 2020 | 54,248 |
| 2021 | 54,248 |
| 2022 | 50,714 |
| | <hr/> 213,458 |

10. Investment income

Investment income earned consists of the following:

| | 2018 | 2017 |
|--|-----------------------|-------------|
| | \$ | \$ |
| Interest income | 4,112 | 3,707 |
| Realized loss on disposal of stock donations | (14,463) | - |
| | <hr/> (10,351) | <hr/> 3,707 |

11. Risk management

The Foundation, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk, and liquidity risk.

Credit risk

The Foundation is exposed to credit risk arising from its Harmonized sales tax receivable and other receivables. The majority of the Foundation's receivables are from government sources. The risk has not changed from the previous year. As well, the Foundation's bank accounts are held at a major financial institution and are in excess of the amount insured by agencies of the Federal government.

The risk has not changed from the previous year.

Liquidity risk

The Foundation is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. The Foundation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions. The risk has not changed from the previous year.

The risk has not changed from the previous year.

Pancreatic Cancer Canada Foundation

Notes to the financial statements

December 31, 2018

12. Pension

Substantially all employees are eligible to be members of the Healthcare of Ontario Pension Plan ("the Plan") which is a multi-employer defined benefit pension plan available to all eligible employees.

Every three years, an independent actuary determines the funding status of the Plan comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted on December 31, 2018. As of December 31, 2018, the Plan is in a surplus position with value of net assets of \$78,622 million and value of pensions obligations of \$65,128 million.

Contributions to the Plan made during the year by the Foundation on behalf of participating employees amounted to \$45,763 (2017 - \$24,605) and are included in the statement of operations.

13. Allocation of costs by function

| | Administration | Fundraising | Programs | Research | Special events |
|----------------------|----------------|-------------|----------|----------|----------------|
| Compensation | 25% | 30% | 19% | 5% | 21% |
| Rent | 32% | 23% | 16% | 4% | 25% |
| Business development | - | 40% | 20% | 40% | - |
| Website | - | 30% | 40% | - | 30% |

Costs are allocated as follows:

| | Compensation | Rental | Business Development | Website |
|----------------|----------------|---------------|----------------------|---------------|
| Administration | 183,102 | 24,265 | - | - |
| Fundraising | 215,157 | 17,085 | 22,001 | 5,614 |
| Programs | 136,876 | 12,381 | 11,001 | 7,485 |
| Research | 35,131 | 2,992 | 22,001 | - |
| Special events | 147,553 | 19,312 | - | 5,613 |
| | 717,819 | 76,035 | 55,003 | 18,712 |

14. Comparative figures

Certain comparative figures have been reclassified to conform to the current year presentation.