

FINANCIAL STATEMENTS
For
PANCREATIC CANCER CANADA FOUNDATION
For year ended
DECEMBER 31, 2022

PANCREATIC CANCER CANADA FOUNDATION

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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, 2022, and the statements of operations and 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, 2022 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from fundraising 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 revenue over expenses and cash flows from operations for the years ended December 31, 2021 and 2022, current assets as at December 31, 2021 and 2022, and net assets as at January 1 and December 31 for both the 2021 and 2022 years. The audit opinion on the financial statements for the year ended December 31, 2021 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 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 12, 2023.

PANCREATIC CANCER CANADA FOUNDATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,671,924	\$ 1,129,453
Accounts receivable	361	-
HST recoverable	50,142	32,249
Prepaid expenses and deposits	<u>43,642</u>	<u>31,475</u>
	1,766,069	1,193,177
TANGIBLE CAPITAL ASSETS (note 3)	<u>10,409</u>	<u>6,962</u>
	<u>\$ 1,776,478</u>	<u>\$ 1,200,139</u>
<u>LIABILITIES AND FUND BALANCES</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 11 and 12)	\$ 142,068	\$ 120,870
Deferred contributions (note 5)	<u>-</u>	<u>1,450</u>
	<u>142,068</u>	<u>122,320</u>
FUND BALANCES		
Operations fund	962,876	459,398
Externally restricted funds	233,923	180,810
Internally restricted funds (note 10)	<u>437,611</u>	<u>437,611</u>
	<u>1,634,410</u>	<u>1,077,819</u>
	<u>\$ 1,776,478</u>	<u>\$ 1,200,139</u>

Approved by the Board:

 Director

 Director

(See accompanying notes)

PANCREATIC CANCER CANADA FOUNDATION

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2022

	<u>Operations Fund</u>		<u>Externally Restricted Funds</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenue						
Community development	\$ 162,277	\$ 128,096	\$ -	\$ 17,443	\$ 162,277	\$ 145,539
Major gifts	1,981,197	624,816	57,923	195,789	2,039,120	820,605
Special events	747,251	519,121	-	-	747,251	519,121
Corporate partnerships	91,415	249,981	-	-	91,415	249,981
Government subsidies	9,520	191,617	-	-	9,520	191,617
	<u>2,991,660</u>	<u>1,713,631</u>	<u>57,923</u>	<u>213,232</u>	<u>3,049,583</u>	<u>1,926,863</u>
Expenses (note 9)						
Administration (notes 3 and 4)	676,619	610,505	-	2,600	676,619	613,105
Fundraising	375,874	415,355	-	-	375,874	415,355
Special events	317,014	217,557	-	-	317,014	217,557
Programs	380,683	177,632	-	-	380,683	177,632
Research	<u>95,280</u>	<u>123,929</u>	<u>-</u>	<u>-</u>	<u>95,280</u>	<u>123,929</u>
	1,845,470	1,544,978	-	2,600	1,845,470	1,547,578
Excess of revenue over expenses before the undernoted	1,146,190	168,653	57,923	210,632	1,204,113	379,285
Investment income (note 7)	<u>8,476</u>	<u>1,120</u>	<u>-</u>	<u>-</u>	<u>8,476</u>	<u>1,120</u>
Excess of revenue over expenses before grants	1,154,666	169,773	57,923	210,632	1,212,589	380,405
Grants awarded	<u>(651,188)</u>	<u>(307,500)</u>	<u>(4,810)</u>	<u>(175,000)</u>	<u>(655,998)</u>	<u>(482,500)</u>
Excess (deficiency) of revenue over expenses	<u>\$ 503,478</u>	<u>\$ (137,727)</u>	<u>\$ 53,113</u>	<u>\$ 35,632</u>	<u>\$ 556,591</u>	<u>\$ (102,095)</u>

(See accompanying notes)

PANCREATIC CANCER CANADA FOUNDATION
STATEMENT OF CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2022

	December 31, 2022			<u>Total</u>
	<u>Operations Fund</u>	<u>Externally Restricted Funds</u>	<u>Internally Restricted Funds</u>	
Fund balances, beginning of year	\$ 459,398	\$ 180,810	\$ 437,611	\$ 1,077,819
Excess of revenue over expenses	<u>503,478</u>	<u>53,113</u>	<u>-</u>	<u>556,591</u>
Fund balances, end of year	<u>\$ 962,876</u>	<u>\$ 233,923</u>	<u>\$ 437,611</u>	<u>\$ 1,634,410</u>

	December 31, 2021			<u>Total</u>
	<u>Operations Fund</u>	<u>Externally Restricted Funds</u>	<u>Internally Restricted Funds</u>	
Fund balances, beginning of year	\$ 1,034,736	\$ 145,178	\$ -	\$ 1,179,914
Excess (deficiency) of revenue over expenses	(137,727)	35,632	-	(102,095)
Interfund transfers (note 10)	<u>(437,611)</u>	<u>-</u>	<u>437,611</u>	<u>-</u>
Fund balances, end of year	<u>\$ 459,398</u>	<u>\$ 180,810</u>	<u>\$ 437,611</u>	<u>\$ 1,077,819</u>

(See accompanying notes)

PANCREATIC CANCER CANADA FOUNDATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses:		
Operating fund	\$ 503,478	\$ (137,727)
Restricted funds	<u>53,113</u>	<u>35,632</u>
	556,591	(102,095)
 Items not affecting cash:		
Amortization of tangible capital assets	<u>4,957</u>	<u>4,721</u>
	561,548	(97,374)
 Changes in non-cash operating items:		
Accounts receivable	(361)	24,890
HST recoverable	(17,893)	(17,032)
Prepaid expenses and deposits	(12,167)	(6,051)
Accounts payable and accrued liabilities	21,198	58,182
Deferred contributions	<u>(1,450)</u>	<u>(8,650)</u>
	550,875	(46,035)
 INVESTING ACTIVITIES		
Purchase of tangible capital assets	<u>(8,404)</u>	<u>(2,813)</u>
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	542,471	(48,848)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,129,453</u>	<u>1,178,301</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,671,924</u>	<u>\$ 1,129,453</u>

(See accompanying notes)

PANCREATIC CANCER CANADA FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

1. NATURE OF OPERATIONS

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.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

Revenue recognition

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

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 from ticket sales is recognized when the event has occurred and when collection is reasonably assured, while donations derived from events are recognized when collectability is reasonably assured.

Investment income is accrued as it is earned and includes interest income. General investment income earned on the assets of the Restricted Funds is recognized as revenue of the Restricted Funds. General investment income earned on the assets of the Operations Fund is recognized as revenue of the Operations Fund.

Cash and cash equivalents

Cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. An investment normally qualifies as a cash equivalent when it has a short maturity of approximately three months or less from the date of acquisition.

Funds

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 Funds 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.

PANCREATIC CANCER CANADA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

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 services

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.

Foreign currency translation

Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at the transaction date. Investments and other monetary items denominated in foreign currencies are translated at the year end rate. Translation gains and losses are included in the statement of operations and changes in fund balances.

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 and cash equivalents	Fair value
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

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
Leasehold improvements	Straight line	3 years

PANCREATIC CANCER CANADA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

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 determining the useful life of tangible capital assets and the amount of accrued liabilities.

Allocation of costs by function

The Foundation records a number of its expense by function: administration and general, fundraising, programs, 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

3. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	2022		2021	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Furniture and equipment	\$ 23,438	\$ 20,162	\$ 22,420	\$ 17,568
Computer equipment	27,947	20,814	20,561	18,451
	51,385	\$ 40,976	42,981	\$ 36,019
Less: accumulated amortization	(40,976)		(36,019)	
	\$ 10,409		\$ 6,962	

Included in administration and general expense is \$4,957 (2021 - \$4,721) of amortization expense.

4. RELATED PARTY

In March 2020, PancOne was incorporated without share capital in Delaware, U.S. and subsequently approved as a public charity in July 2020. PancOne was created to provide financial and other resources to aid research into treatments and cures for pancreatic cancer, and provide support to families and individuals affected by pancreatic cancer.

The Foundation has significant influence over PancOne by virtue of several common board members and the same CEO. The Foundation currently provides on-going administrative and back office support to PancOne at no cost.

These related party transactions occurred in the normal course of operations.

PANCREATIC CANCER CANADA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2022

5. DEFERRED CONTRIBUTIONS

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

	<u>2022</u>	<u>2021</u>
Opening balance	\$ 1,450	\$ 10,100
Add: donations received in the year	173,003	108,071
Less: amounts recognized as revenue in the year	<u>(174,453)</u>	<u>(116,721)</u>
Ending balance	<u>\$ -</u>	<u>\$ 1,450</u>

6. COMMITMENTS

The Foundation has a lease for office premises on Yonge which began September 1, 2020 and continues until August 31, 2026. This lease was amended in February 2022 to include additional space. The approximate annual payments due under this amended lease are as follows:

2023	\$ 60,206
2024	60,967
2025	62,032
2026	<u>41,862</u>
	<u>\$ 225,067</u>

7. INVESTMENT INCOME

Investment income earned consists of the following:

	<u>2022</u>	<u>2021</u>
Interest income	\$ 8,414	\$ 1,167
Unrealized gain (loss) on disposal of stock donations	<u>62</u>	<u>(47)</u>
	<u>\$ 8,476</u>	<u>\$ 1,120</u>

8. 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. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death that provides the highest earnings.

The most recent actuarial valuation of the Plan was conducted on December 31, 2022. As of December 31, 2022, the Plan is in a surplus position with value of net assets of \$108,850 million and value of pensions obligations of \$92,721 million.

Contributions to the Plan made during the year by the Foundation on behalf of participating employees amounted to \$90,640 (2021 - \$78,768) and are included in the statement of operations.

PANCREATIC CANCER CANADA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2022

9. ALLOCATION OF COSTS BY FUNCTION

	<u>Compensation</u>	<u>Rental</u>	<u>Business Development</u>	<u>Website</u>
Administration	19%	20%	- %	- %
Fundraising	28%	30%	50%	20%
Special events	18%	30%	10%	25%
Programs	28%	15%	20%	40%
Research	<u>7%</u>	<u>5%</u>	<u>20%</u>	<u>15%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

	<u>Compensation</u>	<u>Rental</u>	<u>Business Development</u>	<u>Website</u>	<u>Total</u>
Administration	\$ 207,265	\$ 16,273	\$ -	\$ -	\$ 223,538
Fundraising	310,394	24,409	10,556	5,109	350,468
Special events	206,203	24,409	2,111	6,387	239,110
Programs	318,494	12,204	4,222	10,219	345,139
Research	<u>83,157</u>	<u>4,068</u>	<u>4,222</u>	<u>3,832</u>	<u>95,279</u>
	<u>\$ 1,125,513</u>	<u>\$ 81,363</u>	<u>\$ 21,111</u>	<u>\$ 25,547</u>	<u>\$ 1,253,534</u>

10. INTERNALLY RESTRICTED FUNDS

The Foundation approved interfund transfers from the operations fund to internally restricted funds of \$nil (2021 - \$337,611) to the permanent contingency reserve fund intended to hold the equivalent of 90 days of operating expenses, and \$nil (2021 - \$100,000) to the temporary contingency reserve fund to cover potential extraordinary legal fees.

11. CONTINGENT LIABILITIES

In 2021, a legal claim was filed against the Foundation by a former landlord for breach of contract. As at the date of the audit report, a provision of \$50,000 (2021 - \$50,000) has been accrued in the financial statements as part of accounts payable and accrued liabilities. At this time, the outcome of the claim cannot be determined. However, the Foundation calculates it has a maximum exposure to a loss of up to \$100,000.

PANCREATIC CANCER CANADA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2022

12. FINANCIAL INSTRUMENTS

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

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 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.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market risk. Market risk is comprised of currency risk, interest rate risk, and other price risk. It is management's opinion that unless otherwise noted, the Foundation is not exposed to significant market risk arising from its financial instruments.

i) *Currency risk*

Current risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation's accounts payable and accrued liabilities include amounts due to US suppliers, the value of which fluctuates in part due to changes in foreign exchange rates. Included in accounts payable and accrued liabilities is \$nil (2021 - \$2,938) denominated in U.S. dollars and converted into Canadian dollars.

Changes in risk

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