

Financial statements of

Prostate Cancer Canada

March 31, 2015

Prostate Cancer Canada

March 31, 2015

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Independent Auditor's Report

To the Board of Directors of
Prostate Cancer Canada

We have audited the accompanying financial statements of Prostate Cancer Canada which comprise the balance sheet as at March 31, 2015, the statements of operations and changes in net assets and of 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Prostate Cancer Canada as at March 31, 2015, 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.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
July 8, 2015

Prostate Cancer Canada

Statement of operations and changes in net assets year ended March 31, 2015

(In thousands of dollars)

| | 2015 | | | 2014 | | |
|---|--------------|--------------------------|---------------|--------------|--------------------------|---------------|
| | General Fund | Restricted Fund (Note 6) | Total | General Fund | Restricted Fund (Note 6) | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenue | | | | | | |
| Funds raised | | | | | | |
| Individual and corporate gifts | 4,051 | - | 4,051 | 4,174 | - | 4,174 |
| Movember (Note 6) | - | 10,710 | 10,710 | - | 14,512 | 14,512 |
| Special events | 4,089 | - | 4,089 | 3,977 | - | 3,977 |
| Interest | 477 | - | 477 | 612 | - | 612 |
| | 8,617 | 10,710 | 19,327 | 8,763 | 14,512 | 23,275 |
| Mission investments | | | | | | |
| Research | 2,120 | 16,518 | 18,638 | 2,511 | 18,233 | 20,744 |
| Public education and awareness | 1,103 | - | 1,103 | 892 | - | 892 |
| Support groups/survivorship | 906 | 1,438 | 2,344 | 767 | 7,481 | 8,248 |
| | 4,129 | 17,956 | 22,085 | 4,170 | 25,714 | 29,884 |
| Fundraising | 3,481 | - | 3,481 | 3,246 | - | 3,246 |
| General and administration | 1,290 | - | 1,290 | 1,291 | - | 1,291 |
| | 4,771 | - | 4,771 | 4,537 | - | 4,537 |
| Excess of (expenses over revenue) revenue over expenses | (283) | (7,246) | (7,529) | 56 | (11,202) | (11,146) |
| Net assets, beginning of year | 2,341 | 19,315 | 21,656 | 2,285 | 30,517 | 32,802 |
| Net assets, end of year | 2,058 | 12,069 | 14,127 | 2,341 | 19,315 | 21,656 |

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

Prostate Cancer Canada

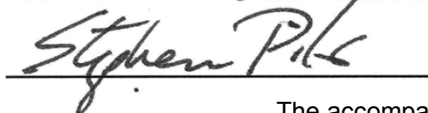
Balance sheet
as at March 31, 2015

(In thousands of dollars)

| | 2015 | | | 2014 | | |
|--------------------------------------|--------------|--------------------------|---------------|--------------|--------------------------|--------|
| | General Fund | Restricted Fund (Note 6) | Total | General Fund | Restricted Fund (Note 6) | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Assets | | | | | | |
| Current assets | | | | | | |
| Cash | 636 | - | 636 | 489 | - | 489 |
| Investments (Note 3) | 6,906 | 19,886 | 26,792 | 11,394 | 24,510 | 35,904 |
| Accounts receivable (Note 6) | 256 | 31,147 | 31,403 | 152 | 30,197 | 30,349 |
| Inter-fund receivable | 220 | - | 220 | 209 | - | 209 |
| Prepaid expenses | 84 | - | 84 | 169 | - | 169 |
| Inventory | - | - | - | 30 | - | 30 |
| | 8,102 | 51,033 | 59,135 | 12,443 | 54,707 | 67,150 |
| Capital assets (Note 4) | 169 | - | 169 | 214 | - | 214 |
| | 8,271 | 51,033 | 59,304 | 12,657 | 54,707 | 67,364 |
| Liabilities | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable and accrued charges | 617 | - | 617 | 685 | - | 685 |
| Inter-fund payable | - | 220 | 220 | - | 209 | 209 |
| Deferred revenue | 151 | - | 151 | 174 | - | 174 |
| Grants and awards payable (Note 5) | 4,962 | 15,404 | 20,366 | 5,104 | 14,415 | 19,519 |
| | 5,730 | 15,624 | 21,354 | 5,963 | 14,624 | 20,587 |
| Long-term | | | | | | |
| Grants and awards payable (Note 5) | 483 | 23,340 | 23,823 | 4,353 | 20,768 | 25,121 |
| | 6,213 | 38,964 | 45,177 | 10,316 | 35,392 | 45,708 |
| Net assets | 2,058 | 12,069 | 14,127 | 2,341 | 19,315 | 21,656 |
| | 8,271 | 51,033 | 59,304 | 12,657 | 54,707 | 67,364 |

Approved by the Board

 Director

 Director

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

Prostate Cancer Canada

Statement of cash flows year ended March 31, 2015 (In thousands of dollars)

| | 2015 | 2014 |
|---|------------|------------|
| | \$ | \$ |
| Operating activities | | |
| Excess of (expenses over revenue) | (7,529) | (11,146) |
| Item not affecting cash | | |
| Amortization | 92 | 103 |
| | (7,437) | (11,043) |
| Changes in non-cash working capital items | | |
| Accounts receivable | (1,054) | 2,865 |
| Prepaid expenses | 85 | 21 |
| Inventory | 30 | (30) |
| Accounts payable and accrued charges | (68) | (24) |
| Deferred revenue | (23) | (12) |
| Grants and awards payable | (451) | 15,420 |
| | (8,918) | 7,197 |
| Investing activities | | |
| Change in investments | 9,112 | (7,474) |
| Additions to capital assets | (53) | (24) |
| Proceeds from sale of capital assets | 6 | - |
| | 9,065 | (7,498) |
| Investing activity | | |
| Obligation under capital leases | - | (7) |
| Net cash inflow (outflow) | 147 | (308) |
| Cash, beginning of year | 489 | 797 |
| Cash, end of year | 636 | 489 |

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

Prostate Cancer Canada

Notes to the financial statements

March 31, 2015

(Tabular amounts in thousands of dollars)

1. Organization

Prostate Cancer Canada (“PCC”) develops programs related to awareness, public education, advocacy, support of those affected, and research into the prevention, detection, treatment and cure of prostate cancer.

Prostate Cancer Canada is incorporated without share capital under the Ontario Corporations Act.

PCC is a registered charity and, accordingly, is not subject to income taxes and is able to issue donation receipts for income tax purposes, under Registration Number 89127 0944 RR 0001.

2. Significant accounting policies

These financial statements have been prepared in accordance with the accounting standards for not-for-profit organizations published by Chartered Professional Accountants of Canada, using the restricted fund method for the recognition of restricted contributions.

Funds

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

General Fund

The general fund is used to record all fundraising, mission and administration activities upon which no restrictions have been placed.

Restricted Fund

The restricted fund is used to record donations with specific restrictions as to the use of funds, along with the related expenses.

Revenue recognition

General donations are recognized as revenue in the year in which they are received. Donations received in advance of events are deferred and recognized as revenue in the year in which the related expenses are incurred. Investment income is recognized on an accrual basis. Restricted donations are recognized on an accrual basis in the appropriate fund.

Financial instruments

PCC 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 | Amortized cost |
| Short-term investments | Amortized cost |
| Accounts receivable | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |
| Research grants payable | Amortized cost |

Financial assets measured at amortized cost are assessed at each reporting date for indications of impairment. If such impairment exists the asset shall be written down and the resulting impairment loss will be recognized in the Statement of operations for the period.

Prostate Cancer Canada

Notes to the financial statements

March 31, 2015

(Tabular amounts in thousands of dollars)

2. Significant accounting policies (continued)

Capital assets

Capital assets are recorded at cost and amortization is provided on the straight-line basis over their estimated useful lives, as shown below. One-half of the annual amortization is taken in the year of purchase.

| | |
|-------------------------|----------------|
| Furniture and equipment | 5 years |
| Computer equipment | 3 years |
| Leasehold improvements | Terms of lease |

Research grants

The preliminary provision for research grants is expensed as approved by the Board. Final allocation to specific recipients once determined may result in an adjustment to the funding allocations and such adjustments, if any, are recorded in the period in which the adjustment occurs. Individual grants may be awarded for a period covering more than one fiscal year, subject to available funding and performance criteria.

Inventory

Inventory is recorded at the lower of cost and replacement cost with cost being determined on the first-in, first-out basis.

Management 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 the financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from these estimates. Accounts requiring significant estimates and assumptions include amortization expense and accrued charges.

3. Investments

| | 2015 | 2014 |
|------------------------------------|---------------|---------------|
| | \$ | \$ |
| Guaranteed investment certificates | 13,016 | 24,000 |
| Schedule I bank bond | 4,000 | 4,000 |
| Instant access savings account | 9,400 | 7,500 |
| Term deposit | 120 | 120 |
| Accrued interest | 256 | 284 |
| | 26,792 | 35,904 |

The Guaranteed Investment Certificates have interest rates ranging from 1.40% to 1.54% and mature in 2016.

The Schedule I bank bond has an initial interest rate of 2.40% increasing by 10 basis points on December 28 of each year. The rate at March 31, 2015 was 2.60% (2014 - 2.50%). The initial maturity date of the bond was June 28, 2013, with extended maturity dates to the 28 of December and June following the initial maturity date until the final maturity date of December 28, 2022. Extension beyond the initial maturity date and each subsequent extended maturity date is at the discretion of the bank. The bank exercised its option to extend at both June 28, 2014 and December 28, 2014.

The instant access savings account bears interest at 1.00%.

Prostate Cancer Canada

Notes to the financial statements

March 31, 2015

(Tabular amounts in thousands of dollars)

4. Capital assets

| | | | 2015 | 2014 |
|-------------------------|------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| | \$ | \$ | \$ | \$ |
| Leasehold improvements | 34 | 8 | 26 | 28 |
| Furniture and equipment | 287 | 179 | 108 | 127 |
| Computer equipment | 239 | 204 | 35 | 59 |
| | 560 | 391 | 169 | 214 |

5. Grants and awards payable

The Board of Directors of PCC approves all research and survivorship envelopes.

Continuity of Grants and awards is as follows:

| | | | 2015 | 2014 |
|--|--------------|-----------------|----------|----------|
| | General Fund | Restricted Fund | Total | Total |
| | \$ | \$ | \$ | \$ |
| Research grants and awards | | | | |
| Research grants payable, beginning of the year | 9,457 | 28,289 | 37,746 | 29,220 |
| Provision for future grants | 1,424 | 16,094 | 17,518 | 19,601 |
| Payments to recipients during year | (5,436) | (10,761) | (16,197) | (11,075) |
| Research grants payable, end of year | 5,445 | 33,622 | 39,067 | 37,746 |
| Current portion | 4,962 | 12,868 | 17,830 | 16,755 |
| Long-term portion | 483 | 20,754 | 21,237 | 20,991 |
| Survivorship grants and awards | | | | |
| Survivorship grants payable, beginning of the year | - | 6,894 | 6,894 | - |
| Provision for future grants | - | 1,051 | 1,051 | 6,992 |
| Payments to recipients during year | - | (2,823) | (2,823) | (98) |
| Survivorship grants payable, end of year | - | 5,122 | 5,122 | 6,894 |
| Current portion | - | 2,536 | 2,536 | 2,764 |
| Long-term portion | - | 2,586 | 2,586 | 4,130 |
| Total grants and awards | | | | |
| Total grants payable, beginning of the year | 9,457 | 35,183 | 44,640 | 29,220 |
| Provision for future grants | 1,424 | 17,145 | 18,569 | 26,593 |
| Payments to recipients during year | (5,436) | (13,584) | (19,020) | (11,173) |
| Total grants payable, end of year | 5,445 | 38,744 | 44,189 | 44,640 |
| Current portion | 4,962 | 15,404 | 20,366 | 19,519 |
| Long-term portion | 483 | 23,340 | 23,823 | 25,121 |

Grants and Awards payable includes \$3,834,204 which is the remaining amount payable in respect of a \$15,000,000 grant awarded to the University Health Network during the March 31, 2011 fiscal year. Payments of this grant are being made over a total period of five years.

In addition to the provision for future grants, \$661,856 (2014 - \$355,786) related to research and survivorship related initiatives has been expensed as part of the research and survivorship programs.

Prostate Cancer Canada

Notes to the financial statements

March 31, 2015

(Tabular amounts in thousands of dollars)

6. Restricted Fund

The restricted fund was established during fiscal 2012 to account for funds received from Movember Canada and is restricted as follows: (i) survivorship initiatives; (ii) innovative research. Funds for program expenditures as defined by the Movember Beneficiary Agreement are charged to these respective initiatives as incurred.

The restricted funds of \$12,069,000 at March 31, 2015 (2014 - \$19,315,000) have been designated to research and survivorship programs over the next five years in line with Board approved strategy and the Movember Beneficiary Agreement.

For the year ended March 31, 2015, one donor (Movember Canada) accounted for approximately 55% (2014 - 62%) of the total revenues of PCC and 99% (2014 - 99%) of the accounts receivable as at March 31.

7. Commitments

PCC is committed under operating leases for office space. These leases commenced on April 1, 2011 and January 1, 2011 for durations of 15 and 5 years, respectively. The total amounts due are as follows:

| | |
|------------|-------|
| | \$ |
| 2016 | 319 |
| 2017 | 325 |
| 2018 | 325 |
| 2019 | 325 |
| 2020 | 325 |
| Thereafter | 2,147 |

8. Volunteer services

PCC benefits substantially from services in the form of volunteer time. These valuable services are not recorded in the financial statements.

9. Allocation of expenses

PCC incurs general staffing expenses that are common to the administration of the organization and each of its functions. Certain staff expenses are allocated to specific functions based on the overall proportion of time spent by staff.

PCC has allocated staff costs as follows:

| | 2015 | 2014 |
|--------------------------------|--------------|--------------|
| | \$ | \$ |
| Fundraising | 866 | 805 |
| Research | 920 | 993 |
| Public education and awareness | 493 | 480 |
| Support groups/survivorship | 768 | 685 |
| General and administration | 479 | 536 |
| | 3,526 | 3,499 |

Prostate Cancer Canada

Notes to the financial statements

March 31, 2015

(Tabular amounts in thousands of dollars)

10. Financial instruments

PCC is exposed to the following risks related to its financial assets and liabilities:

a) *Credit risk*

PCC is subject to credit risk through its receivables and investments. Credit risk arises from the potential that the counterparty will fail to perform its obligations. Credit risk with respect to investments is limited due to the types of instruments held, which are described in Note 3.

b) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. PCC is exposed to this risk through its investments as this balance bears interest at varying rates and are subject to change due to, without limitation, such factors as interest rates and general economic conditions.

11. Lotteries

During the year ended March 31, 2015, PCC held three lotteries (2014 - two). The financial results of the lotteries are as follows:

| | 2015 | 2014 |
|------------------------|-------------|------|
| | \$ | \$ |
| Special events revenue | 445 | 196 |
| Fundraising expenses | 132 | 58 |
| Net revenue | 313 | 138 |

At March 31, 2015, PCC has letters of credit of \$87,487 and \$24,543 in connection with the Rock the Road and Rock the Snow lotteries, respectively.