CHILDCAN THE CHILDHOOD CANCER RESEARCH ASSOCIATION INC.

Financial Statements

Year ended December 31, 2018

Ford Keast LLP
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Childcan The Childhood Cancer Research Association Inc.

Qualified Opinion

We have audited the financial statements of Childcan The Childhood Cancer Research Association Inc. ("the Organization"), which comprise the Statement of Financial Position as at December 31, 2018, and the Statements of Revenue and Expenditures and Changes in Net Assets 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 Organization as at December 31, 2018 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 charitable organizations, the Organization derives revenue from donations and 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 Organization. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, and cash flows from operations for the year ended December 31, 2018, current assets and net assets for the year then ended. Our audit opinion on the financial statements 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 Organization 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 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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.

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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 responsible 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 Organization'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 Organization'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 Organization'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 Organization 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 achieve 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.

Ford Keast LLP

London, Ontario
April 23, 2019

Chartered Professional Accountants
Licensed Public Accountants

CHILDCAN THE CHILDHOOD CANCER RESEARCH ASSOCIATION INC.

Statement of Financial Position as at December 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash	$ 396,404	$ 354,443
Accounts receivable	34,623	4,742
Inventory	3,280	3,280
Government remittances recoverable	25,367	38,096
Prepaid expenses	7,268	10,022
	466,942	410,583
CAPITAL ASSETS (Note 3)	246,250	252,456
	$ 713,192	$ 663,039
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 32,672	$ 34,655
Deferred revenue	5,204	15,377
Long-term debt due within one year (Note 4)	170,071	6,194
	207,947	56,226
LONG-TERM DEBT (Note 4)	-	169,801
	207,947	226,027
NET ASSETS	505,245	437,012
	$ 713,192	$ 663,039

APPROVED BY THE DIRECTORS:

Director

Director

CHILDCAN THE CHILDHOOD CANCER RESEARCH ASSOCIATION INC.

Statement of Revenue and Expenditures and Changes in Net Assets
Year ended December 31, 2018

		2018	%		2017	%
REVENUE						
Fundraising - third party	$	267,219	37.7	$	310,089	43.2
Fundraising - internal events		216,011	30.5		201,925	28.1
Donations		209,368	29.5		206,099	28.7
Property tax rebate		14,448	2.0		-	0.0
Investment		1,625	0.2		-	0.0
		708,671	100.0		718,113	100.0
EXPENDITURES						
Family support		238,800	33.7		224,448	31.3
Wages		169,763	24.0		184,028	25.6
Fundraising		63,837	9.0		72,468	10.1
Research (Note 7)		45,000	6.3		45,000	6.3
Administration		23,893	3.4		2,330	0.3
Professional fees		18,603	2.6		10,590	1.5
Office supplies		18,422	2.6		17,360	2.4
Scholarships		11,000	1.6		11,000	1.5
Amortization		9,596	1.4		9,661	1.3
Telecommunications		8,747	1.2		14,122	2.0
Interest on long-term debt		7,093	1.0		9,143	1.3
Bank charges and merchant fees		6,508	0.9		4,475	0.6
Occupancy costs		5,836	0.8		9,613	1.3
Travel		3,697	0.5		1,651	0.2
Insurance		3,668	0.5		3,487	0.5
Utilities		3,060	0.4		3,325	0.5
Repairs and maintenance		1,662	0.2		1,408	0.2
Memberships		1,253	0.2		836	0.1
		640,438	90.4		624,945	87.0
EXCESS OF REVENUE OVER EXPENDITURES	$	68,233	9.6	$	93,168	13.0
NET ASSETS, Beginning of year		437,012			343,844	
NET ASSETS, End of year	$	505,245		$	437,012	

CHILDCAN THE CHILDHOOD CANCER RESEARCH ASSOCIATION INC.

Statement of Cash Flows
Year ended December 31, 2018

	2018	2017
Cash provided by (used in):		
OPERATING ACTIVITIES		
Excess of revenue over expenditures	$ 68,233	$ 93,168
Add (deduct) non-cash items:		
Amortization	9,596	9,661
Change in non-cash working capital items related to operations (Note 5)	(26,553)	1,566
	51,276	104,395
INVESTING ACTIVITIES		
Acquisition of capital assets		
Office equipment	(3,391)	(370)
FINANCING ACTIVITIES		
Increase in long-term debt	-	3,989
Principal payments on long-term debt	(5,924)	(5,643)
	(5,924)	(1,654)
INCREASE IN CASH DURING THE YEAR	41,961	102,371
Cash, Beginning of year	354,443	252,072
CASH, END OF YEAR	$ 396,404	$ 354,443

1. PURPOSE OF THE ORGANIZATION

Childcan, The Childhood Cancer Research Association Inc. ("the Organization") was incorporated as a non-profit organization without share capital under the Ontario Corporations Act by Letter Patent dated September 10, 1990 and is exempt from income taxes under Section 149(1)(f) of the Income Tax Act. The Organization raises funds to search for cures for childhood cancers as well as to provide responsive and compassionate support services to families facing the journey through childhood cancer - from diagnosis, treatment, recovery, or bereavement.

2. ACCOUNTING POLICIES

The accompanying financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are summarized below.

Revenue Recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred. All other contributions are reported as revenue of the current period.

Revenue from fundraising activities are recorded when received.

Contributed Services

Volunteers contribute many hours each year to assist the Organization in carrying out its activities. Due to the difficulty of determining fair value, contributed services are not recognized in the financial statements.

Capital Assets

Capital assets are recorded at acquisition cost. Amortization is provided on the declining balance method over the estimated useful lives of the assets at the following annual rates, with one-half the rate in the year of acquisition:

Office equipment	30 %
Furniture and equipment	20 %
Building	4 %

2. ACCOUNTING POLICIES (continued)

Financial Instruments

Measurement of Financial Instruments:
The Organization initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenue over expenditures.

Impairment:
Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down and any subsequent reversal are recognized in excess of revenue over expenditures.

Transaction Costs:
The Organization recognizes its transactions costs in excess of revenue over expenditures in the period incurred. However, financial instrument that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Cash and Cash Equivalents

Cash as disclosed on the Statement of Financial Position consists of cash on hand and balances with the bank.

Inventory

Inventory consists of merchandise and is stated at the lower of cost, based on weighted average cost, and net realizable value.

Use of Estimates

The preparation of financial statements in accordance 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenditures during the reported period. Specific management estimates are made with respect to the useful lives of capital assets and accrued liabilities. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in excess of revenue over expenditures in the period in which they become known.

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2018	Net 2017
Office equipment	$ 28,395	$ 23,702	$ 4,693	$ 2,587
Furniture and equipment	15,947	15,635	312	390
Building	247,295	49,690	197,605	205,839
Land	43,640	-	43,640	43,640
	$ 335,277	$ 89,027	$ 246,250	$ 252,456

4. LONG-TERM DEBT

	2018	2017
Royal Bank of Canada 3.94% mortgage, payable in blended monthly instalments of $1,085, due April 30, 2019.	$ 170,071	$ 175,995
Less amounts due within one year included in current liabilities	170,071	6,194
	$ -	$ 169,801

The mortgage is secured by a collateral first mortgage of $275,000 and a general security agreement on all property, with a carrying value of $246,250 (2017 - $252,456). The loan is also subject to various reporting requirements as determined by RBC. The aggregate amount of principal payments estimated to be required until maturity are as follows:

2019	$ 170,071

5. STATEMENT OF CASH FLOWS

The change in non-cash working capital balances related to operations referred to in the cash flows statement is determined as follows:

	2018	2017
(INCREASE) DECREASE IN CURRENT ASSETS:		
Accounts receivable	$ (29,881)	$ 51,724
Inventory	-	(3,280)
Government remittances recoverable	12,729	(26,234)
Prepaid expenses	2,754	(1,811)
INCREASE (DECREASE) IN CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	(1,982)	15,290
Deferred revenue	(10,173)	(34,123)
	$ (26,553)	$ 1,566

6. FINANCIAL INSTRUMENTS RISK MANAGEMENT

Transactions in financial instruments may result in financial risks being assumed by the Organization. The risks identified by the Organization are as follows:

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. The interest on long-term debt is fixed and as a result will not fluctuate because of changes in market interest rates.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting financial obligations as they become due. The Organization considers it has sufficient current assets and ongoing support of donors to meet future financial obligations.

Other Risks

It is management's belief that the Organization is not exposed to significant credit, currency or market risk.

The nature and extent of the Organization's exposure to the above risks did not change during the fiscal year.

7. COMMITMENT

The Organization has committed to providing an additional $45,000 of funding for a research assistant in a clinical trial to take place in 2019.