Financial Statements of

PCC PROSTATE CANCER CENTRE – DRAFT V1 (UNAUDITED)

Year ended December 31, 2018

PCC PROSTATE CANCER CENTRE

Statements of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	$ 2,334,193	$ 2,288,472
Investments (note 3)	5,266,022	4,933,537
Accounts receivable	247,677	226,546
Due from related parties (note 5)	23,645	32,124
Prepaid expenses and deposits	36,154	43,994
Prepaid rent (note 4)	44,000	44,000
	7,951,691	7,568,673
Property and equipment (note 6)	1,332,069	544,652
Long-term portion of prepaid rent (note 4)	671,000	715,000
Restricted cash (note 10)	–	200,099
	$ 9,954,760	$ 9,028,424
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,223,881	$ 377,881
Due to related parties (note 5)	29,327	44,186
Government payroll tax payable	73,883	67,248
Deferred cash contributions (note 7)	3,575,062	3,838,657
	4,902,153	4,327,972
Deferred capital contributions (note 7)	746,043	343,149
Net assets:		
Unrestricted	4,306,564	4,157,204
Restricted for endowments (note 10)	–	200,099
	4,306,564	4,357,303
Subsequent event (note 12)		
	$ 9,954,760	$ 9,028,424

See accompanying notes to financial statements.

Approved by the Board:

____________________________, Director

____________________________, Director

PCC PROSTATE CANCER CENTRE

Statements of Operations

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Revenues:		
Deferred cash contributions recognized (note 7)	$ 1,542,763	$ 1,403,367
Contributions (note 8)	1,276,695	1,188,185
Research investigation fees	690,416	1,083,391
Rental revenue and expense recovery	573,416	483,194
Interest and other	133,760	57,150
	4,217,050	4,215,287
Expenses:		
Salaries and benefits	2,139,602	2,017,173
Projects and/or programs (note 9)	961,454	1,001,975
Contracted services	326,714	280,798
Office and other	208,289	174,658
Events and recognition	197,290	91,812
Rent and occupancy	168,354	121,102
Advertising and marketing	5,167	19,507
	4,006,870	3,707,025
Excess of revenues over expenses before other items	210,180	508,262
Other items:		
Amortization of deferred capital contributions (note 7)	44,775	35,428
Amortization of property and equipment (note 6)	(105,595)	(72,640)
	(60,820)	(37,212)
Excess of revenues over expenses	$ 149,360	$ 471,050

See accompanying notes to financial statements.

PCC PROSTATE CANCER CENTRE

Statements of Changes in Net Assets

Year ended December 31, 2018, with comparative information for 2017

	Restricted for endowments	Unrestricted	2018 Total
Net assets, January 1, 2018	$ 200,099	$ 4,157,204	$ 4,357,303
Excess of revenues over expenses	–	149,360	149,360
Transfer of funds restricted for endowments	(200,099)	–	(200,099)
Net assets, December 31, 2018	$ –	$ 4,306,564	$ 4,306,564

	Restricted for endowments	Unrestricted	2017 Total
Net assets, January 1, 2017	$ 200,099	$ 3,686,154	$ 3,886,253
Excess of revenues over expenses	–	471,050	471,050
Net assets, December 31, 2017	$ 200,099	$ 4,157,204	$ 4,357,303

See accompanying notes to financial statements.

PCC PROSTATE CANCER CENTRE

Statements of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Cash receipts from fundraising events and other	$ 1,726,837	$ 2,328,440
Cash received from contributions	1,276,695	1,188,185
Cash received for Urology research trials	708,913	1,246,651
Cash received from rental revenue and expense recovery	589,798	514,388
Cash receipts from interest and other	77,749	57,150
Cash receipts from (paid to) related parties	(6,380)	13,419
Cash paid to suppliers	(3,102,394)	(3,381,200)
	1,271,218	1,967,033
Investing:		
Increase in investments	(332,485)	(1,636,127)
Purchase of property and equipment	(893,012)	(354,338)
	(1,225,497)	(1,990,465)
Financing:		
Cash receipts from endowment fund	(200,099)	–
Decrease in cash	(154,378)	(23,432)
Cash, beginning of year	2,488,571	2,512,003
Cash, end of year	$ 2,334,193	$ 2,488,571
Cash and cash equivalents	$ 2,334,193	$ 2,288,472
Restricted cash	–	200,099
	$ 2,334,193	$ 2,488,571

See accompanying notes to financial statements.

1. History and purpose of the organization:

PCC Prostate Cancer Centre ("PCC" or the "Organization") was incorporated on September 1, 1999 as a not-for-profit corporation under the Alberta Companies Act, and accordingly under Section 149(1) of the Income Tax Act is not subject to income tax. PCC's objectives are:

i) Facilitate early diagnosis, treatment, support and care of patients with any stage of prostate cancer;

ii) Support the urology, radiotherapy and the medical oncology community to further research in the prevention, detection, diagnosis, incidence, causes and cures for prostate cancer; and

iii) Engage the public and increase awareness on the importance of early detection of prostate cancer.

PCC operates in a facility known as the Prostate Cancer Centre located in Calgary, Alberta. In prior years, PCC was primarily funded by the PCF Prostate Cancer Foundation ("PCF"), a registered Charity under the Income Tax Act (Canada) and accordingly exempt from income taxes, with the ability to issue donation receipts for income tax purposes. PCF and PCC were related by virtue of common management.

On January 30, 2014, PCC attained charitable status with the Canada Revenue Agency. As a result, in order to obtain organizational efficiencies, PCF transferred all of its assets and liabilities to PCC on March 31, 2014. All directors of the PCF board were elected to the PCC board of directors in 2014. As of March 31, 2014, all PCC and PCF operational and business activity took place under PCC. On May 26, 2016, the Board of Directors authorized and approved in the best interest of PCF to wind-up operations as there were no remaining assets or liabilities and no intent to carry-on any future operations.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(b) Revenue recognition:

PCC follows the deferral method of accounting for restricted contributions. Unrestricted contributions, rental revenues and expense recovery and research investigation fees are recognized as revenue in the year received or when they become receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions for endowment are recognized as direct increases in endowment net assets.

2. Significant accounting policies (continued):

Revenue from fundraising and other special events that is restricted to specific programs is recognized using the deferral method, which recognizes revenue in the year in which the related expenses are incurred.

Contributions restricted for the purchase of property and equipment (other than land or a capital asset that will not be subject to amortization) are deferred and recognized as income at the same rate as the related property or equipment is amortized.

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months.

(d) Marketable securities:

Periodically, PCC receives donations of securities of publicly traded companies. The fair value of these securities is determined by the closing market price on the day the securities were received and when the securities were unencumbered with respect to any action by PCC.

The fair value attributed to these securities is the value of the donations recognized at the time of the receipt and the value for the initial recognition of the asset on the statement of financial position. To the extent the fair value changes from the initial fair value recognition, such difference, either positive or negative, shall be recorded as a gain or as a loss in the statement of operations with the carrying value of the securities adjusted accordingly on the statement of financial position.

(e) Property and equipment:

Property and equipment are stated at cost or fair market value at the time of donation, if contributed. Property and equipment with a cost less than $1,000 is expensed in the year in which it is purchased. Amortization is provided for over the estimated useful life of the assets on the following basis (one-half in the year of acquisition):

Artwork	Nil
Computer hardware and equipment	30% declining balance basis
Computer software	100% declining balance basis
Furniture and fixtures	20% declining balance basis
Leasehold improvements	7-17.5 years straight line basis
Vehicles	30% declining balance basis

Artwork is accounted for at the time of donation at the appraisal value on an individual basis and where there has been a permanent decline in value, the asset is stated at the net realizable value.

2. Significant accounting policies (continued):

(f) Contributed services and materials:

Contributed services of volunteers and board members cannot be quantified in order to determine fair market value; no attempt is made to recognize the value of those services in the financial statements. Where there is an invoice provided for contributed materials, property and equipment or other services, the fair market value of those items is reported in the financial statements.

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. PCC has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and amortized over the life of the instrument.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, PCC determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the present value of the expected cash flows. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(h) 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 amounts of assets and liabilities and 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. Significant areas requiring the use of management estimates relate to the collectability of accounts receivable. Consequently, actual results could differ from those estimates.

(i) Comparative information:

Certain comparative information has been reclassified, where applicable, to conform with the presentation adopted in the current year.

3. Investments:

The Organization’s investments are held in Guaranteed Investment Certificates and savings accounts with commercial banks. These investments have annual yields ranging from 2.06% (2017 – 0.99%) at December 31, 2018. The Organization has the option to withdraw these investments at any time.

4. Prepaid rent:

During 2010, PCC advanced $1,100,000 to the Southern Alberta Institute of Urology. PCC subsequently entered into a $10 per annum office lease agreement with Alberta Health Services for a 25 year term and paid the full $250 in advance.

The 2010 advance of $1,100,000 has been recorded by PCC as prepaid rent, with amortization over the term of the lease being 25 years. Included in rent and occupancy expense is rent amortization of $44,000 (2017 - $44,000).

5. Related party transactions:

The Organization incurred costs for diagnostic imaging of $137,562 in 2018 (2017 - $307,988), the services were delivered by a medical company of which a director of the Organization is a partner.

In 2018, the Organization incurred costs of $100,514 (2017 - $100,000) related to consultant fees for fund development by a company controlled by a director. During the year, the director donated $50,000 (2017 - $55,833) of their fees back to the Organization. At December 31, 2018, $12,500 (2017 - $20,933) remains outstanding as a receivable.

A director earned $57,097 in 2018 (2017 - $100,000) for the position of research chair. Three medical professionals who serve as directors of the Organization earned a total of $21,590 in 2018 (2017 - $26,120) for services rendered related to various medical and research programs. At December 31, 2018, a receivable of $11,145 (2017 - $11,191) remains outstanding related to medical professionals rental revenue and expense recovery.

The Organization also incurred costs related to catering and event services of $8,855 (2017 - $nil) by a company of which a director of the Organization is a partner. The Organization was also charged $7,856 (2017 - $8,260) in 2018 by a law firm of which a director of the Organization is a partner.

5. Related party transactions (continued):

All related party transactions are in the normal course of business and have been measured at the exchange amounts, which are the amounts of consideration established and agreed to by the related parties. At December 31, 2018 the outstanding related party receivable and payable are as follows:

	2018	2017
Related party receivable from consultant	$ 12,500	$ 20,933
Related party receivable from medical professionals	11,145	11,191
Total related party receivable	$ 23,645	$ 32,124

	2018	2017
Related party payable to consultant	$ 13,177	$ 12,917
Related party payable to diagnostic imaging	9,224	11,614
Related party payable to medical professionals	3,870	11,500
Related party payable to catering and event services	3,056	–
Related party payable to law firm	–	8,155
Total related party payable	$ 29,327	$ 44,186

6. Property and equipment:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Artwork	$ 20,765	$ –	$ 20,765	$ 20,765
Computer hardware	268,669	172,386	96,283	51,367
Computer software	18,627	14,525	4,102	–
Furniture and fixtures	407,321	260,063	147,258	130,176
Leasehold improvements	1,065,037	34,680	1,030,357	294,767
Vehicles	306,300	272,996	33,304	47,577
	$ 2,086,719	$ 754,650	$ 1,332,069	$ 544,652

Amortization expense for 2018 totalled $105,595 (2017 - $72,640).

All artwork has been donated and the carrying value of each piece was determined by independent appraisal at the time of donation.

6. Property and equipment (continued):

At December 31, 2018, $995,348 (2017 - $238,320) of the leasehold improvements cost is related to a 3,006 square feet capital expansion of leased property from the landlord, Alberta Health Services ("AHS"). The capital development was completed in March 2018 and amortization of $21,638 (2017 - $nil) related to the expansion is recognized during the year.

7. Deferred contributions:

The combined deferred cash and deferred capital contribution income movement during the year is as follows:

	2018	2017
Balance, beginning of year	$ 4,181,806	$ 3,292,161
Add amount received during the year	1,726,837	2,328,440
Less amounts recognized as revenue in the year:		
Cash contributions	(1,542,763)	(1,403,367)
Capital contributions	(44,775)	(35,428)
Balance, end of year	$ 4,321,105	$ 4,181,806

7. Deferred contributions (continued):

At December 31, 2018, cash contributions have been deferred to offset future spending related to the following programs:

	2018	2017
Rural Man Van	$ 678,647	$ 714,151
Rapid Access V	610,728	652,026
City Man Van	386,954	330,690
Men's Health Initiative	340,354	174,096
Rapid Access VI	282,875	286,030
Rapid Access IV	230,558	164,153
APCaRI Research	201,573	344,596
Rapid Access III	184,858	175,823
Rapid Access II	137,543	104,417
Bismar/Donnelly Research – Genome DX	128,643	156,940
Rapid Access I	117,829	125,463
Restricted Research	59,526	65,969
Lee Research	56,415	56,415
Bismar Ride for Dad Research	48,423	60,264
Cystectomy Program	45,543	–
Remington Funds	33,815	34,641
Volunteers	12,226	–
Bone Health Program	9,587	–
Research Chair	6,000	–
Southern Alberta Institute of Urology	2,965	
SATH Development	–	303,886
Research Director Fund	–	57,097
Tournament Fund-a-Need	–	32,000
Balance, end of year	$ 3,575,062	$ 3,838,657

Deferred capital contributions are the restricted contributions that are used to purchase property and equipment. The deferred contributions are brought into income at the same rate as the related capital asset is amortized. Changes in the deferred capital contributions are as follows:

	2018	2017
Balance, beginning of year	$ 343,149	$ 128,470
Add: Deferred fundraising capital contributions	447,669	250,107
Less: Amortization of deferred contributions	(44,775)	(35,428)
Balance, end of year	$ 746,043	$ 343,149

7. Deferred contributions (continued):

During the year ended December 31, 2018 the following amounts were received as donations for the applicable program:

	2018	2017
Men's Health Initiative	$ 261,863	$ 203,184
City Man Van	255,730	424,537
Rural Man Van	240,356	311,000
Rapid Access IV	191,409	100,000
APCaRI Research	161,150	117,370
Rapid Access III	105,000	152,376
SATH Capital Development	100,000	440,955
Rapid Access VI	96,105	96,282
Rapid Access II	72,519	104,547
Restricted Research	56,490	37,080
Cystectomy Program	51,100	–
Rapid Access I	50,000	150,000
Remington Funds	45,400	47,667
Volunteers	15,000	–
Bone Health Program	10,000	–
Research Chair	6,000	–
Bismar/Donnelly Research – Genome DX	3,000	70,500
Southern Alberta Institute of Urology	2,965	–
Kawakami Project	2,750	–
Bismar Ride for Dad Research	–	42,942
Tournament Fund-a-Need	–	30,000
Total	$ 1,726,837	$ 2,328,440

8. Contributions:

	2018	2017
Individual donors	$ 332,289	$ 287,987
Corporate donors	513,375	492,086
Not-for-profit organizations	431,031	408,112
Total	$ 1,276,695	$ 1,188,185

9. Projects and/or programs expenditures:

Expenditures by program (excluding the allocation of salary) during the year is as follows:

	2018	2017
Urology Research	$ 215,782	$ 324,835
APCaRI Research	142,175	130,862
Rural Man Van	131,842	96,389
City Man Van	86,383	74,375
Rapid Access VI	69,645	56,892
Research Director Fund	57,097	100,000
Rapid Access III	44,755	40,919
Rapid Access IV	41,768	26,102
Hyndman Research	41,443	1,194
Rapid Access II	41,271	44,827
Bismar/Donnelly Research – Genome DX	27,700	11,203
Men's Health Initiative	22,009	13,929
Rapid Access I	17,522	15,895
Bismar Ride for Dad Research	11,840	27,471
Rapid Access V	5,163	16,327
Kawakami Project	5,000	7,500
Other Programs	59	3,775
Bismar/Donnelly Research	–	9,480
Total	$ 941,454	$ 1,001,975

10. Restrictions on net assets:

All of the net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the principal be maintained intact. Any investment income earned can be used by PCC and is not restricted. PCC earned $3,092 (2017 - $1,981) in 2018 of investment income. During the year, the externally restricted funds were released by the donor and reallocated to support clinical programs. PCC has recorded the amount of $nil (2017 - $200,099) related to restricted cash on the statement of financial position.

11. Financial instruments and related risks:

(a) Credit risk:

PCC's exposure to credit risk arises from the possibility that the counter party to a transaction might fail to perform under its contractual commitment resulting in a financial loss to PCC.

PCC is exposed to credit risk on its cash and cash equivalents, investments, deposits, restricted cash and accounts receivables from its operations. Concentration of credit risk arises as a result of exposure to a single debtor or to a group of debtors having similar characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economical, political or other conditions. PCC monitors credit risk by assessing the collectability of the amount. Cash and investments are held with reputable financial institutions. Based on management's assessment, no amount has been provided for as doubtful accounts.

(b) Liquidity risk:

Accounts payable and accrued liabilities, government payroll tax payable and amounts due to related parties are due within six months and PCC has sufficient cash available to discharge these liabilities. The organization also manages this risk by preparing budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(c) Interest rate risk:

Interest rate risk arises on investments which are held in short-term deposits with fixed interest rates. For every 1% increase in interest rates, the annual change in interest income would be approximately $52,660 (2017 - $49,335).

12. Subsequent event: TBD