

MICHAEL CUCCIONE FOUNDATION

A Not-for-Profit Organization

FINANCIAL STATEMENTS

December 31, 2017

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INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the members of Michael Cuccione Foundation

We have reviewed the accompanying financial statements of Michael Cuccione Foundation that comprise the statement of financial position as at December 31, 2017, and the statements of operations and changes in net assets and 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 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.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Michael Cuccione Foundation as at December 31, 2017, 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.

Galloway Battelle & Company

Chartered Professional Accountants
Vancouver, BC
June 28, 2018

MICHAEL CUCCIONE FOUNDATION

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the year ended December 31, 2017

Unaudited - see review engagement report

	2017	%	2016	%
Revenue				
Government grants	\$ 1,000,000	51.9	\$ 100,000	9.7
Fundraising events	481,848	25.0	417,302	40.4
Annual gala	324,563	16.8	320,450	31.0
Donations	99,255	5.1	195,023	18.9
Interest income	25,340	1.3	7,984	0.8
Foreign currency exchange gain (loss)	(3,681)	(0.2)	(6,620)	(0.6)
	1,927,325	100.0	1,034,139	100.0
Expenditures				
Fundraising events	173,876	9.0	136,579	13.2
Annual gala	58,532	3.0	54,491	5.3
Wages and benefits	30,105	1.6	28,938	2.8
Community support	20,733	1.1	5,434	0.5
Advertising and promotion	19,150	1.0	17,015	1.6
Website and social media	15,162	0.8	32,113	3.1
Bank charges	11,639	0.6	6,616	0.6
Office	7,195	0.4	5,955	0.6
Professional services	4,743	0.2	5,275	0.5
Telephone	2,780	0.1	2,049	0.2
Insurance	1,830	0.1	1,282	0.1
Amortization	205	0.0	272	0.0
Travel	-	0.0	1,462	0.1
Bad debts (recovered)	-	0.0	(200)	0.0
	345,950	17.9	297,281	28.7
Excess of revenue over expenditures before distribution of funds	1,581,375	82.1	736,858	71.3
Distribution of funds				
Donations to qualified donees	1,008,000	52.3	502,000	48.5
Excess of revenue over expenditures/distributions	573,375	29.7	234,858	22.7
Net assets, beginning of year	1,238,246		1,003,388	
Net assets, end of year	\$ 1,811,621		\$ 1,238,246	

See accompanying notes

MICHAEL CUCCIONE FOUNDATION

STATEMENT OF FINANCIAL POSITION

As at December 31, 2017

Unaudited - see review engagement report

	2017	2016
ASSETS		
Current		
Cash and cash equivalents	\$ 606,461	\$ 139,837
Term deposits	1,824,996	816,093
Accounts receivable (note 3)	53,887	74,427
Prepaid expenses	1,689	1,689
	2,487,033	1,032,046
Investments (note 4)	335,522	216,094
Capital assets (note 5)	736	940
	\$ 2,823,291	\$ 1,249,080
LIABILITIES		
Current		
Accounts payable and accrued liabilities (note 6)	\$ 11,670	\$ 10,834
Deferred revenue (note 7)	1,000,000	-
	1,011,670	10,834
NET ASSETS	1,811,621	1,238,246
	\$ 2,823,291	\$ 1,249,080

See accompanying notes

Approved:

Michael Cuccione, Sr. President

John Audia Vice President

MICHAEL CUCCIONE FOUNDATION

STATEMENT OF CASH FLOWS

For the year ended December 31, 2017

Unaudited - see review engagement report

	2017	2016
Cash used for:		
Operating activities		
Excess of revenue over expenditures	\$ 573,375	\$ 234,858
Adjustment for non-cash item:		
Amortization	205	272
	573,580	235,130
Net change in non-cash working capital items:		
Accounts receivable	20,540	(9,955)
Accounts payable and accrued liabilities	835	3,919
Cash flows from operating activities	594,955	229,094
Financing activity		
Deferred grant revenue related to cancer research funding	1,000,000	-
Investing activities		
Purchase and redemption of term deposits	(1,008,903)	(111,548)
Purchase of investments	(119,428)	(118,880)
Cash flows from investing activities	(1,128,331)	(230,428)
Net increase in cash	466,624	(1,334)
Cash, beginning of year	139,837	141,171
Cash, end of year	\$ 606,461	\$ 139,837

See accompanying notes

MICHAEL CUCCIONE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Unaudited - see review engagement report

1. Purpose of the organization

Michael Cuccione Foundation is incorporated under the Societies Act of British Columbia as a not-for-profit organization and is a registered charity under the Income Tax Act.

The Foundation was formed to raise funds through bequests, gifts, donations and various fundraising activities and to expend or administer these funds for cancer research and for the use of children's hospitals located in Canada. In addition, it is also the purpose of the Foundation to raise cancer awareness in the community, to provide emotional support to cancer patients and their families, and to promote the foregoing purposes throughout Canada.

2. Summary of significant accounting policies

Basis of presentation

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) and include the following significant accounting policies:

Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Under this method, restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Investment income is recorded based on the accrual method.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent 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 those estimates. Assumptions are based on a number of factors, including historical experience, current events and actions that the Foundation may undertake in the future, and other assumptions believed reasonable.

Prior year's figures

Prior year's figures have been restated, where applicable, to conform to current year's presentation.

Income taxes

As a registered charity under the Income Tax Act, the Foundation is exempt from paying income taxes.

Donated services

The Foundation benefits from donated services in the form of volunteer work for various activities. The value of donated services is not recognized in the financial statements.

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2. Summary of significant accounting policies — continued

Cash and cash equivalents

Cash and equivalents include cash and short-term investments with maturities of three months or less from their date of acquisition, which are readily convertible into a known amount of cash, and are subject to an insignificant risk to changes in their fair value.

Term deposits

Short-term investments with maturities of one year or less from their date of acquisition are subject to an insignificant risk to changes in their fair value.

Investments

The Foundation follows the cost method of accounting for its investments. These investments are not marketable securities and include a life insurance policy and shares in Phoenix Molecular Designs Ltd., a private company.

Foreign currency transactions

Monetary assets of the Foundation which are denominated in foreign currencies are translated at year end exchange rates. The resulting gains or losses are included in operations.

Financial instruments

The Foundation's financial instruments consist of cash and equivalents, term deposits, accounts receivable, non-marketable securities, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant credit, market, currency, or interest rate risks arising from these financial instruments.

Capital assets

Equipment is recorded at cost. Amortization is provided for using the following annual rates and methods:

Computer	30% declining balance
Equipment	20% declining balance

3. Accounts receivable

	2017	2016
Accrued interest	\$ 14,351	\$ 3,742
Pledges receivable	38,740	69,680
Government agencies	796	1,005
	\$ 53,887	\$ 74,427

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Unaudited - see review engagement report

4. Investments

	2017	2016
Life insurance policy - cash surrender value	\$ 135,522	\$ 116,094
Non-marketable securities	200,000	100,000
	\$ 335,522	\$ 216,094

5. Capital assets

	2017			2016
	Cost	Accumulated amortization	Net book value	Net book value
Equipment	\$ 6,910	\$ 6,252	\$ 658	\$ 822
Computer	5,742	5,664	78	118
	\$ 12,652	\$ 11,916	\$ 736	\$ 940

6. Accounts payable and accrued liabilities

	2017	2016
Accounts payable	\$ 7,104	\$ 6,269
Accrued liabilities	4,000	4,000
Due to government agencies	566	565
	\$ 11,670	\$ 10,834

7. Deferred revenue

Deferred revenues represent funding interally and externally restricted for the expansion of clinical trials and childhood cancer research activities in future periods. Changes in deferred contributions are as follows:

	Balance, beginning of year	Received	Recognized	Balance, end of year
BC Government Grant	\$ -	\$ 2,000,000	\$ (1,000,000)	\$ 1,000,000
	\$ -	\$ 2,000,000	\$ (1,000,000)	\$ 1,000,000

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8. Capital disclosure

The Foundation considers its net assets as its "capital" for the purposes of this disclosure. The Foundation's objective when managing its capital is to safeguard the entity's ability to continue as a going concern so that it may continue to raise and disburse funds for charitable purposes. The Foundation meets its objectives by monitoring available resources and matching its expenditures accordingly. To maintain its status as a registered charity under the Income Tax Act, the Foundation is required to expend its previous year's "disbursement quota", on its charitable programs in the current year. It has complied with this requirement.

9. Financial risk management

The Foundation is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The main risks are broken down below.

Currency risk

Currency 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. Certain cash and cash equivalents and term deposits are denominated in U.S. dollars. These balances are therefore subject to gain or losses due to fluctuations in that currency.

Credit risk

The Foundation's exposure to credit risk consists principally of cash and equivalents and term deposits. The Foundation maintains cash and cash equivalents and term deposits with reputable and major financial institutions. Management considers the risk of non-performance of these instruments to be remote.

Market risk

Market risk is the risk that the fair value or future cash flows of the Foundation's financial instruments will fluctuate because of changes in market prices. Some of the Foundation's financial instruments expose it to this risk, which comprises currency risk and interest rate risk.