

MICHAEL CUCCIONE FOUNDATION

A Not-for-Profit Organization

FINANCIAL STATEMENTS

December 31, 2019

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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 ("the Foundation") that comprise the statement of financial position as at December 31, 2019, 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.

Basis for Qualified Conclusion

In common with many not-for-profit organizations, the Foundation derives revenues from fundraising activities and donations, the completeness of which are not susceptible to us obtaining evidence we considered necessary for the purpose of the review. Accordingly, the evidence obtained of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, we were unable to determine whether any adjustments might have been found necessary with respect to fundraising and donations revenues, excess of revenue over expenses, and cash flows from operations for the years ended December 31, 2019 and 2018, current assets as at December 31, 2019 and 2018, and net assets as at December 31 for both the 2019 and 2018 year ends. Our review on the financial statements as at and for the year ended December 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT — continued

Qualified Conclusion

Based on our review, except for the effects of the matter described in the Basis for Qualified Conclusion paragraph, 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 the Foundaton as at December 31, 2019 and the results of its operations and its cash flows for the year ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (BC), we report that, in our opinion, the accounting principles used in preparing and presenting the financial statements are in accordance with Canadian accounting standards for non-for-profit organizations, and have been applied on a consistent basis with that of the preceding year.

Galloway Botteselle & Company

Chartered Professional Accountants
Vancouver, BC
June 25, 2020

MICHAEL CUCCIONE FOUNDATION

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the year ended December 31, 2019

Unaudited - see review engagement report

	2019	%	2018	%
Revenue				
Annual gala	\$ 294,526	40.2	\$ 322,438	18.0
Fundraising events	277,717	37.9	322,178	18.0
Donations	138,286	18.9	129,019	7.2
Interest income	24,176	3.3	18,370	1.0
Government grants	-	0.0	1,000,000	55.7
Loss on disposal of capital assets (note 4)	(578)	(0.1)	-	0.0
Foreign currency exchange gain (loss)	(1,953)	(0.3)	2,718	0.2
	732,174	100.0	1,794,723	100.0
Expenditures				
Fundraising events	65,116	8.9	71,674	4.0
Annual gala	62,305	8.5	60,434	3.4
Wages and benefits	31,089	4.2	29,949	1.7
Bad debts	35,900	4.9	-	0.0
Advertising and promotion	22,928	3.1	6,228	0.3
Community support	17,028	2.3	12,902	0.7
Website and social media	15,602	2.1	-	0.0
Professional services	13,602	1.9	5,040	0.3
Office	11,538	1.6	5,412	0.3
Bank charges	6,678	0.9	6,441	0.4
Telephone	2,319	0.3	2,932	0.2
Travel	-	0.0	14,263	0.8
Amortization	-	0.0	157	0.0
Insurance	(9,579)	(1.3)	6,568	0.4
	274,526	37.5	222,000	12.4
Excess of revenue over expenditures before distribution of funds	457,648	62.5	1,572,723	87.6
Distribution of funds				
Donations to qualified donees	1,077,500	147.2	1,008,500	56.2
Deficiency of revenue over expenditures/distributions	(619,852)	(84.7)	564,223	31.4
Net assets, beginning of year	2,375,844		1,811,621	
Net assets, end of year	\$ 1,755,992		\$ 2,375,844	

See accompanying notes

MICHAEL CUCCIONE FOUNDATION

STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

Unaudited - see review engagement report

	2019	2018
ASSETS		
Current		
Cash and cash equivalents	\$ 449,203	\$ 1,151,938
Term deposits	916,668	829,470
Accounts receivable (note 3)	30,047	59,140
Prepaid expenses	1,596	-
	1,397,514	2,040,548
Life insurance - cash surrender value	176,471	149,002
Investment in private corporation	200,000	200,000
Capital assets (note 4)	-	578
	\$ 1,773,985	\$ 2,390,128
LIABILITY		
Current		
Accounts payable and accrued liabilities (note 5)	\$ 17,993	\$ 14,284
NET ASSETS	1,755,992	2,375,844
	\$ 1,773,985	\$ 2,390,128

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, 2019

Unaudited - see review engagement report

	2019	2018
Cash used for:		
Operating activities		
Deficiency of revenue over expenditures	\$ (619,852)	\$ 564,223
Adjustments for non-cash items:		
Amortization	-	157
Loss on sale of capital assets	578	-
Insurance - adjustment to cash surrender value	(9,899)	4,090
	(629,173)	568,470
Net change in non-cash working capital items:		
Purchase and redemption of term deposits	(87,198)	995,526
Accounts receivable	29,093	(5,253)
Prepaid expenses	(1,596)	1,689
Accounts payable and accrued liabilities	3,709	2,615
	(685,165)	1,563,047
Financing activity		
Deferred grant revenues related to cancer research funding and cash flows from financing activity	-	(1,000,000)
Investing activity		
Life insurance and cash flows from investing activity	(17,570)	(17,570)
Net decrease in cash and cash equivalents	(702,735)	545,477
Cash and cash equivalents, beginning of year	1,151,938	606,461
Cash and cash equivalents, end of year	\$ 449,203	\$ 1,151,938

See accompanying notes

MICHAEL CUCCIONE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Unaudited - see review engagement report

1. Purpose of the organization

The Foundation, which is incorporated without share capital under the laws of Canada, is a registered Canadian charity and, as such, is exempt from income taxes under paragraph 149(1)(f) of the Income Tax Act (Canada).

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:

Newly adopted accounting pronouncements

The Foundation has applied the following new standard Section 4433 – Tangible capital assets held by Non-for-Profit Organizations for the first time for its annual reporting period commencing January 1, 2019. Section 4433 replaces Section 4431 Tangible Capital Assets Held by Not-for-Profit Organizations. These standards have been adopted on January 1, 2019, in accordance with the transition provisions set out in the standards. As a result, the standards have been applied prospectively from January 1, 2019, with amortization from this date determined by allocating the cost to component parts of tangible capital assets based on their relative cost or fair value at the date the assets were acquired.

The determination of cost has not changed as a result of adopting the new guidance. The cost of tangible capital asset is deemed to be its fair value at the date of acquisition plus all costs directly attributable to its acquisition.

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

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NOTES TO FINANCIAL STATEMENTS

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2. Summary of significant accounting policies — continued

Revenue recognition

The Foundation follows the deferral method of accounting to account for contributions for not-for-profit organizations.

The Foundation receives donations largely from events and annual fundraising campaigns held throughout the year to support cancer research, fund cancer awareness and cancer support initiatives throughout Canada.

Unrestricted donations are recognized as revenue when received. Restricted donations are deferred and recognized as revenue in the year in which the related expenses are recognized.

Externally restricted grants that have not been expended are recorded as deferred revenue on the statement of financial position. Unrestricted grants are recognized as revenue when received or receivable if the amount received can be reasonably estimated and collection is reasonably assured.

Interest income has been recorded directly into the statement of operations and recognition is 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.

Investment in private corporation

The Foundation accounts for its investments in private companies at cost.

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.

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.

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2. Summary of significant accounting policies — continued

Life insurance

The Foundation carries a life insurance policy, which is presented at its cash surrender value.

Foreign currency transactions

Monetary assets and liabilities of the Foundation, which are denominated in foreign currencies are translated at year end exchange rates. Non-monetary assets and liabilities are translated at rates in effect at the date the assets were acquired and liabilities incurred. Revenue and expenses are translated at the rates of exchange in effect at their transaction dates. The resulting gains or losses are included in operations

Financial instruments

The Company initially measures its financial assets and liabilities at fair value. The Company subsequently measures all its financial assets and liabilities at cost or amortization cost.

Investments in shares of private companies are recorded at cost. Life insurance policies are carried at its cash surrender value. The Company's financial instruments consist of cash and cash equivalents, term deposits, accounts receivables, investment in private corporation, life insurance - cash surrender value, and accounts payable and accrued liabilities.

3. Accounts receivable

	2019	2018
Sponsorship receivable	\$ 52,477	\$ 51,255
Accrued interest	12,007	6,263
Government agencies	1,463	1,622
Allowance for doubtful accounts	(35,900)	-
	\$ 30,047	\$ 59,140

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4. Capital assets

	2019		2018	
	Cost	Accumulated amortization	Net book value	Net book value
Computer	\$ -	\$ -	\$ -	\$ 52
Equipment	-	-	-	526
	\$ -	\$ -	\$ -	\$ 578

Computer and equipment are no longer in use by the foundation and were written off. The assets were disposed of for nil consideration.

5. Accounts payable and accrued liabilities

	2019		2018	
Accounts payable	\$	7,446	\$	9,738
Accrued liabilities		10,000		4,000
Due to government agency		547		546
	\$	17,993	\$	14,284

6. 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 of 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 gains or losses due to fluctuations in that currency.

Credit risk

The Foundation's exposure to credit risks 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. Managements 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.

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7. Subsequent events

The COVID-19 outbreak in British Columbia has resulted in business disruptions including limiting the Foundation's ability to hold its annual fundraising campaigns. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the disruptions and its impact on the fundraising events.

As a response to COVID-19, the Foundation is working on bringing the fundraising events to a virtual setting. The Foundation will be holding the "Kick for the Cure" fundraising event virtually and is in discussions on the best way to hold the Golf tournament and the Gala dinner virtually if the disruptions continue.