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independent auditor's report

To the members of Kids Cancer Care Foundation of Alberta:

Report on the financial statements

We have audited the accompanying financial statements of Kids Cancer Care Foundation of Alberta, which is comprised of the statement of financial position as at January 31, 2011, and the statements of operations, 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 financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles 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.

Kids Cancer Care Foundation of Alberta
Independent auditor's report (continued)

Basis for qualified opinion

In common with many charitable organizations, the Foundation derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets.

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

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Kids Cancer Care Foundation of Alberta as at January 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Thompson Fenner & Co LLP

Certified General Accountants

May 25, 2011

Calgary, Alberta, Canada

statement of financial position

As at January 31, 2011

| | 2011 | 2010 |
|--|---------------------|--------------|
| ASSETS | | |
| Current | | |
| Cash and cash equivalent | \$ 1,657,278 | \$ 2,448,797 |
| Short term investments (note 4) | 1,045,000 | - |
| Accounts receivable (note 5) | 903,300 | 138,341 |
| Prepaid expenses | 35,024 | 55,022 |
| | 3,640,602 | 2,642,160 |
| Property and equipment (note 6) | 2,090,339 | 2,121,921 |
| | \$ 5,730,941 | \$ 4,764,081 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 177,605 | \$ 59,894 |
| Due to Calgary Foundation | 87,348 | 3,905 |
| Unearned revenue and other liabilities | 55,320 | 69,112 |
| Current portion of long term debt (note 7) | 101,526 | 96,298 |
| | 421,799 | 229,209 |
| Long term debt (subject to demand) (note 7) | 862,901 | 964,427 |
| | 1,284,700 | 1,193,636 |
| Deferred contributions (note 11) | | |
| Related to operations | 1,709,386 | 1,397,996 |
| Related to property and equipment | 1,043,003 | 101,145 |
| | 4,037,089 | 2,692,777 |
| Net assets | | |
| Invested in property and equipment | 82,909 | 960,051 |
| Unrestricted | 1,610,943 | 1,111,253 |
| | 1,693,852 | 2,071,304 |
| | \$ 5,730,941 | \$ 4,764,081 |

Approved on behalf of the Board:



Jack Perraton, C.M., QC,
Chair of the Board of Directors



Jackie Altwasser
Chair, Finance and Audit Committee

statement of operations

For the year ended January 31, 2011

| | 2011 | 2010 |
|--|---------------------|---------------------|
| REVENUE | | |
| Fundraising | | |
| General | \$ 1,178,690 | \$ 1,098,902 |
| Camp and Community programs | 1,171,193 | 968,482 |
| Research | 826,336 | 524,759 |
| Scholarship and Endowment Fund (note 8) | 148,459 | 126,754 |
| Capital Campaign | 98,470 | - |
| Hospital programs | 29,348 | 22,270 |
| Camp Kindle rental income | 166,201 | 94,002 |
| Other revenue | 7,457 | 26,245 |
| Amortization of deferred contributions related to property and equipment (note 10) | 271,904 | 26,285 |
| | 3,898,058 | 2,887,699 |
| EXPENSES | | |
| Camp and Community programs (note 9) | 1,334,687 | 1,135,890 |
| Foundation's fundraising activities | 1,031,729 | 1,071,405 |
| Research | 724,911 | 354,820 |
| General and administrative | 419,529 | 381,175 |
| Public awareness and education | 172,106 | 179,583 |
| Camp Kindle rental operations (note 10) | 125,187 | 162,757 |
| Volunteer program | 117,612 | 115,372 |
| Hospital programs | 115,476 | 179,704 |
| Capital Campaign - Camp Kindle | 98,470 | 32,242 |
| Scholarship endowments and awards | 96,324 | 67,779 |
| Amortization | 39,479 | 36,592 |
| | 4,275,510 | 3,717,319 |
| DEFICIENCY OF REVENUE OVER EXPENSES | \$ (377,452) | \$ (829,620) |

statement of changes in net assets

For the year ended January 31, 2011

| | Invested in property and equipment | Unrestricted | 2011 | 2010 |
|---|--|---------------------|---------------------|---------------------|
| Net assets, beginning of year | \$ 960,051 | \$ 1,111,253 | \$ 2,071,304 | \$ 2,900,924 |
| Deficiency of revenue over expenses | (123,322) | (254,130) | (377,452) | (829,620) |
| Contribution received from capital campaign and deferred for the Camp Kindle | (850,118) | 850,118 | - | - |
| Repayment of debt | 96,298 | (96,298) | - | - |
| Net assets, end of year | \$ 82,909 | \$ 1,610,943 | \$ 1,693,852 | \$ 2,071,304 |

statement of cash flows

For the year ended January 31, 2011

| | 2011 | 2010 |
|--|---------------------|--------------|
| OPERATING ACTIVITIES | | |
| Cash received from | | |
| Foundation's fundraising events | \$ 1,292,722 | \$ 1,318,634 |
| Capital campaign | 1,281,748 | 30,600 |
| Community fundraising events | 957,489 | 865,197 |
| Individual and corporate donations | 259,473 | 363,960 |
| Donations from other not-for-profits | 255,729 | 233,859 |
| Camp Kindle rental income | 166,201 | 94,002 |
| Government grants | 40,477 | 122,967 |
| Investment income | 4,836 | 26,245 |
| | 4,258,675 | 3,055,464 |
| Cash paid for programs, activities and administration | | |
| | (3,545,250) | (3,364,545) |
| | 713,425 | (309,081) |
| FINANCING ACTIVITIES | | |
| Proceeds from long term debt | - | 1,100,000 |
| Repayment of long term debt | (96,298) | (39,275) |
| | (96,298) | 1,060,725 |
| INVESTING ACTIVITIES | | |
| Increase in short term investments | (1,045,000) | - |
| Acquisition of property and equipment | (363,646) | (2,413,452) |
| | (1,408,646) | (2,413,452) |
| Net decrease in cash for the year | (791,519) | (1,661,808) |
| Cash, beginning of the year | 2,448,797 | 4,110,605 |
| Cash, end of the year | \$ 1,657,278 | \$ 2,448,797 |
| Cash and cash equivalents consist of: | | |
| Cash | \$ 621,421 | \$ 415,657 |
| Money market portfolio | 1,035,857 | 2,033,140 |
| | \$ 1,657,278 | \$ 2,448,797 |

notes to the audited financial statements

For the year ended January 31, 2011

1. purpose of organization

Kids Cancer Care Foundation of Alberta (the Foundation) is incorporated under the Alberta Societies Act as a not-for-profit organization. It is a registered charity under the Income Tax Act. Therefore, under Section 149, the Foundation is not subject to the payment of income taxes.

The Foundation dedicates fundraising efforts to four areas:

Camp and community

The Foundation provides free, year-round support opportunities for young people and their families affected by cancer. The Foundation manages residential and day camps for children, teenagers and young adults, aged 3 to 25, in various stages of cancer treatment. During the year, the Foundation also runs youth recreational programs and hosts a variety of supportive conferences and seminars.

Research

Kids Cancer Care Foundation of Alberta provides funding for pediatric oncology research and treatment in Alberta. The results of their research directly impact the level of care that the pediatric oncology team is able to offer Alberta children with cancer, and ultimately, treatment programs around the world.

Hospital programs

Funding from Kids Cancer Care Foundation of Alberta purchases equipment, enhances programs and supports doctors, nurses, psychologists and therapists in the area of pediatric oncology-related medical care and family assistance. Practical and necessary support items aid sick children and their families during hospital stays and clinic visits throughout the entire cancer journey.

KCCFA Derek Wandzura Memorial Scholarship

The KCCFA Derek Wandzura (DW) Memorial Scholarship is designed to assist young adults with a history of childhood cancer to further their education pursuits. The scholarships may be used to upgrade and prepare for post-secondary studies or to pursue a post-secondary education program, be it a university, college or technical education. See also Note 8.

2. significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and, in management's opinion, have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

a) Revenue recognition

The Foundation follows the deferral method of accounting for contributions. 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.

b) Cash and cash equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Kids Cancer Care Foundation of Alberta
Notes to the audited financial statements
For the year ended January 31, 2011

2. significant accounting policies (continued)

c) Property and equipment

Property and equipment are recorded at cost. Amortization is reported using the following rates and method:

| | | |
|-----------------------------------|---------------|---------------|
| Automobile | 5 years | Straight line |
| Computer equipment | 3 years | Straight line |
| Computer software | 2 years | Straight line |
| Furniture, fixtures and equipment | 5 years | Straight line |
| Leasehold improvements | Term of lease | Straight line |
| Camp Kindle - building | 5 years | Straight line |
| Camp Kindle - challenge course | 10 years | Straight line |
| Camp Kindle - equipment | 5 years | Straight line |

d) Contributed goods and services

Volunteers contribute many hours per year to assist the Foundation in carrying out its service and fundraising activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements. Contributed goods are recognized where their fair value is readily determinable.

e) Financial instruments

Financial assets are classified as held for trading and carried at their fair value. Unrealized gains and losses on trading assets are recognized as part of the excess of revenue over expenses. Financial liabilities are carried at cost. The fair value of these financial instruments is based on current interest rates, market values and pricing of financial instruments with comparative terms.

f) Measurement uncertainty

Under Canadian generally accepted accounting principles, an important concept in the preparation of financial statements is the use of estimates in the determination of assets, liabilities, revenues, expenses and excess (deficit) of revenue over expenses for the year. To the extent that these estimates may vary from actual results, there would be a corresponding effect on various elements of the financial statements.

3. accounting standards changes

During the year, the Accounting Standards Board issued new accounting standards for not-for-profit organizations which must be adopted for years beginning on or after January 1, 2012. Management is currently reviewing the standards to determine the potential effect of these new standards on the financial statements of KCCFA, but it currently appears that the changes will not be significant.

4. short term investments

Cashable GIC, prime-linked interest rate, maturing July 2011

| | 2011 | 2010 |
|----|------------------|------|
| \$ | 1,045,000 | \$ - |

5. accounts receivable

Accounts receivable includes an amount of \$803,551 (2010: Nil) from the Faculty of Medicine, University of Calgary (the Faculty). This represents the return to KCCFA of funding previously provided to the Faculty that the Faculty has not been able to utilize as intended. The receivable has been received subsequent to year-end.

Kids Cancer Care Foundation of Alberta

Notes to the audited financial statements

For the year ended January 31, 2011

6. property and equipment

| | Cost | | Accumulated Amortization | | Net Book Value | |
|--------------------------------|--------------|--------------|--------------------------|------------|----------------|--------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Automobile | \$ 8,778 | \$ 4,000 | \$ 2,556 | \$ 800 | \$ 6,222 | \$ 3,200 |
| Computer equipment | 84,622 | 48,391 | 46,323 | 18,394 | 38,299 | 29,997 |
| Computer software | 3,260 | 3,260 | 3,260 | 1,630 | - | 1,630 |
| Furniture and fixtures | 82,764 | 82,764 | 67,707 | 61,022 | 15,057 | 21,742 |
| Leasehold improvements | 10,350 | 10,350 | 8,871 | 7,392 | 1,479 | 2,958 |
| Camp Kindle - Buildings | 1,714,116 | 1,606,498 | 642,599 | 321,299 | 1,071,517 | 1,285,199 |
| Camp Kindle - Challenge Course | 250,368 | 85,195 | 25,037 | - | 225,331 | 85,195 |
| Camp Kindle - Equipment | 47,061 | 2,500 | 9,912 | 500 | 37,149 | 2,000 |
| Camp Kindle - Land | 695,285 | 690,000 | - | - | 695,285 | 690,000 |
| | \$ 2,896,604 | \$ 2,532,958 | \$ 806,265 | \$ 411,037 | \$ 2,090,339 | \$ 2,121,921 |

7. long term debt

| | 2011 | 2010 |
|--|------------|--------------|
| Royal Bank loan payable in monthly instalments of \$11,956 (2010: \$10,700), including interest at Royal Bank prime plus 1.5% (2010: 0.90%) per annum - current year effective rate of 3.84% (2010: 3.19%), maturing in August 2011, renewable annually. The loan is secured against the Camp Kindle property. | \$ 964,427 | \$ 1,060,725 |
| Less current portion | 101,526 | 96,298 |
| Long term portion - because the loan is renewable on each anniversary, and the intent of KCCFA is to pay out accordingly, it has been classified as long term. | \$ 862,901 | \$ 964,429 |

8. kccfa derek wandzura memorial scholarship fund

The KCCFA Derek Wandzura Memorial Scholarship is an endowed fund owned and managed by The Calgary Foundation. As additional funds are raised for endowment purposes, they become payable to The Calgary Foundation to add to the endowment. The current year transfer is \$87,348 (2010: \$53,218). The fund was established on January 31, 2008.

The interest earned from the fund is provided to Kids Cancer Care Foundation of Alberta on a yearly basis to grant scholarships to survivors of childhood cancer. The market value of the fund held by The Calgary Foundation as of January 31, 2011 is \$249,349 (2010: \$174,525).

9. camp and community programs

Camp and Community programs expenses include amortization expense in the amount of \$355,749 (2010: \$321,800) as related to the assets in use at Camp Kindle.

10. Camp Kindle rental operations

Expenses for Camp Kindle rental operations do not include any allocation of fixed costs in respect of the operations of Camp Kindle.

Kids Cancer Care Foundation of Alberta

Notes to the audited financial statements

For the year ended January 31, 2011

11. deferred contributions

Deferred contributions represent unspent resources received in the current and prior periods but designated by the donor for use in specific programs or future operations as noted below. Changes in the deferred contributions are as follows:

a) Related to operations

| 2011 | Camp and community | | Camp | Research | DW Scholarship Fund | Total |
|--|--------------------|--------|--------|--------------|---------------------------|--------------|
| | | | Kindle | | | |
| Balance, beginning of the year | \$ 110,155 | \$ - | \$ - | \$ 1,275,542 | \$ 12,299 | \$ 1,397,996 |
| Amount added during the year | 1,081,443 | 98,470 | 98,470 | 1,216,085 | 159,850 | 2,555,848 |
| | 1,191,598 | 98,470 | 98,470 | 2,491,627 | \$ 172,149 | 3,953,844 |
| Amounts utilized during the year for: | | | | | | |
| Camp and Community | 978,938 | - | - | - | - | 978,938 |
| Research | - | - | - | 724,911 | - | 724,911 |
| To The Calgary Foundation | - | - | - | - | 87,348 | 87,348 |
| Scholarship awards | - | - | - | - | 8,000 | 8,000 |
| Administration | - | - | - | - | 976 | 976 |
| Direct event costs | 192,255 | 98,470 | 98,470 | 101,425 | 52,135 | 444,285 |
| | 1,171,193 | 98,470 | 98,470 | 826,336 | 148,459 | 2,244,458 |
| Balance, end of the year | \$ 20,405 | \$ - | \$ - | \$ 1,665,291 | \$ 23,690 | \$ 1,709,386 |

| 2010 | Camp and community | | Camp | Research | DW Scholarship Fund | Total |
|--|--------------------|------|--------|--------------|---------------------------|--------------|
| | | | Kindle | | | |
| Balance, beginning of the year | \$ 196,172 | \$ - | \$ - | \$ 1,051,074 | \$ 3,085 | \$ 1,250,331 |
| Amount added during the year | 932,465 | - | - | 749,227 | 135,968 | 1,817,660 |
| Transfers | (50,000) | - | - | - | - | (50,000) |
| | 1,078,637 | - | - | 1,800,301 | 139,053 | 3,017,991 |
| Amounts utilized during the year for: | | | | | | |
| Camp and Community | 901,768 | - | - | - | - | 901,768 |
| Research | - | - | - | 355,545 | - | 355,545 |
| To The Calgary Foundation | - | - | - | - | 53,218 | 53,218 |
| Scholarship awards | - | - | - | - | 13,000 | 13,000 |
| Direct event costs | 66,714 | - | - | 169,214 | 60,536 | 296,464 |
| | 968,482 | - | - | 524,759 | 126,754 | 1,619,995 |
| Balance, end of the year | \$ 110,155 | \$ - | \$ - | \$ 1,275,542 | \$ 12,299 | \$ 1,397,996 |

b) Related to property and equipment

| | 2011 | | | 2010 | | |
|---|-----------|--------------|--------------|----------|-------------|------------|
| | General | Camp Kindle | Total | General | Camp Kindle | Total |
| Balance, beginning of the year | \$ 4,531 | \$ 96,614 | \$ 101,145 | \$ 2,663 | \$ - | \$ 2,663 |
| Amount added during the year | 30,484 | 1,183,278 | 1,213,762 | 4,000 | 70,767 | 74,767 |
| Transfers | - | - | - | - | 50,000 | 50,000 |
| | 35,015 | 1,279,892 | 1,314,907 | 6,663 | 120,767 | 127,430 |
| Amounts utilized during the year for amortization | 11,094 | 260,810 | 271,904 | 2,132 | 24,153 | 26,285 |
| Balance, end of the year | \$ 23,921 | \$ 1,019,082 | \$ 1,043,003 | \$ 4,531 | \$ 96,614 | \$ 101,145 |

Kids Cancer Care Foundation of Alberta

Notes to the audited financial statements

For the year ended January 31, 2011

12. commitments

The Foundation has minimum lease commitments under an office lease that expires March 2012:

| | | |
|-----------|----|---------|
| 2011-2012 | \$ | 128,400 |
| 2012-2013 | \$ | 21,400 |

In addition, the Foundation has further commitments related to research. The committed amount for the 2012 fiscal year is \$500,000 to support research grants, projects and awards. Thereafter the commitment is \$500,000 per year for the following three years.

13. financial instruments

The Foundation's financial instruments consist of cash, temporary investments, accounts receivable and accounts payable. It is management's opinion that the Foundation is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

14. comparative figures

Some of the comparative figures have been reclassified to conform with the current year's presentation.