

*Financial Statements of*

**CANCERCARE MANITOBA  
FOUNDATION INC.**

*March 31, 2017*

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
CancerCare Manitoba Foundation Inc.

We have audited the accompanying financial statements of CancerCare Manitoba Foundation Inc., which comprise the statement of financial position as at March 31, 2017, and the statements of operations and changes in fund balances and cash flows for the year then ended and notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation 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.

### *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.

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

### *Basis for Qualified Opinion*

In common with many charitable organizations, CancerCare Manitoba Foundation Inc. derives revenues from fundraising activities and donations, 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 fundraising and investment revenues, excess of fundraising and investment revenue over disbursements and granting activities and fund balances.

### *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 CancerCare Manitoba Foundation Inc. as at March 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.



Chartered Professional Accountants

June 28, 2017  
Winnipeg, Manitoba



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**CancerCare Manitoba Foundation Inc.**  
**Statement of Financial Position**  
**March 31, 2017**

	Ongoing Unrestricted Fund	Ongoing Restricted Funds	Endowment Funds	Capital Fund	2017 Total	2016 Total
<b>ASSETS</b>						
<b>CURRENT</b>						
Operating cash	\$ 1,155,526	\$ -	\$ -	\$ -	\$ 1,155,526	\$ 1,105,353
Accounts receivable	93,248	-	-	-	93,248	270,498
Prepaid expenses	141,657	-	-	-	141,657	255,899
	1,390,431	-	-	-	1,390,431	1,631,750
<b>INVESTMENTS (Note 3)</b>	24,857,159	6,839,305	14,807,441	732,606	47,236,511	44,513,762
<b>FIXED ASSETS (Note 4)</b>	4,513	-	-	-	4,513	8,519
<b>DUE FROM (TO) OTHER FUNDS</b>	9,054,332	-	-	(9,054,332)	-	-
<b>PROPERTY DEVELOPMENT COSTS (Note 5)</b>	-	-	-	18,924,332	18,924,332	18,895,036
	\$ 35,306,435	\$ 6,839,305	\$ 14,807,441	\$ 10,602,606	\$ 67,555,787	\$ 65,049,067
<b>LIABILITIES</b>						
<b>CURRENT</b>						
Accounts payable and accrued liabilities	\$ 600,005	\$ -	\$ -	\$ -	\$ 600,005	\$ 307,916
Grants payable	844,869	-	-	-	844,869	2,172,702
Deferred contributions (Note 7)	120,521	-	-	-	120,521	260,095
Current portion of mortgage payable (Note 8)	-	-	-	9,870,000	9,870,000	-
	1,565,395	-	-	9,870,000	11,435,395	2,740,713
<b>MORTGAGE PAYABLE (Note 8)</b>	-	-	-	9,870,000	9,870,000	9,870,000
	1,565,395	-	-	11,435,395	12,610,713	12,610,713
<b>COMMITMENTS (Note 11)</b>						
	33,741,040	6,839,305	14,807,441	732,606	56,120,392	52,438,354
<b>FUND BALANCES</b>	\$ 35,306,435	\$ 6,839,305	\$ 14,807,441	\$ 10,602,606	\$ 67,555,787	\$ 65,049,067

APPROVED BY THE BOARD

 ..... Director  
 ..... Director

**CancerCare Manitoba Foundation Inc.**  
**Statement of Operations and Changes in Fund Balances**  
For the Year Ended March 31, 2017

	Ongoing Unrestricted Fund	Ongoing Restricted Funds	Endowment Funds	Capital Fund	2017 Total	2016 Total
<b>FUNDRAISING AND REALIZED INVESTMENT REVENUE</b>						
Estates & insurance beneficiary (Note 9)	\$ 1,729,762	\$ -	\$ 60,000	\$ -	\$ 1,789,762	\$ 1,722,882
General donations (Note 9)	1,224,776	461,958	50	583,461	2,270,245	3,026,660
Memorial donations (Note 9)	402,894	56,134	12,827	-	471,855	529,884
Events, net (Note 9)	2,825,364	1,141,220	-	-	3,966,584	3,442,924
	6,182,796	1,659,312	72,877	583,461	8,498,446	8,722,350
Other donations	254,297	-	-	-	254,297	204,719
Realized investment income, net (Note 10)	2,338,051	502,509	1,105,910	4,727	3,951,197	2,700,602
Capital fund expenses	8,775,144	2,161,821	1,178,787	588,188	12,703,940	11,627,671
	-	-	-	(684,074)	(684,074)	(70,322)
	8,775,144	2,161,821	1,178,787	(95,886)	12,019,866	11,557,349
<b>ADMINISTRATIVE AND PROGRAM EXPENSES</b>						
Administrative expenses	785,695	-	-	-	785,695	572,507
Marketing & communication	288,743	-	-	-	288,743	205,995
Donor development & major gifts	580,175	-	-	-	580,175	517,293
Events & projects	346,438	-	-	-	346,438	464,219
Amortization	4,006	-	-	-	4,006	7,783
	2,005,057	-	-	-	2,005,057	1,767,797
Excess (deficiency) of fundraising and realized investment revenue over administrative and program expenses	6,770,087	2,161,821	1,178,787	(95,886)	10,014,809	9,789,552
<b>GRANTS TO CANCERCARE MANITOBA</b>						
	3,186,245	2,624,146	318,365	-	6,128,756	4,983,082
	3,583,842	(462,325)	860,422	(95,886)	3,886,053	4,806,470
Unrealized investment loss	(102,297)	(32,138)	(69,580)	-	(204,015)	(2,060,446)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES AND GRANTS</b>						
	3,481,545	(494,463)	790,842	(95,886)	3,682,038	2,746,024
<b>FUND BALANCE BEGINNING OF YEAR</b>						
	31,867,377	6,536,468	13,206,017	828,492	52,438,354	49,692,330
Transfer of funds (Note 12)	(1,607,882)	797,300	810,582	-	-	-
<b>FUND BALANCE, END OF YEAR</b>	\$ 33,741,040	\$ 6,839,305	\$ 14,807,441	\$ 732,606	\$ 56,120,392	\$ 52,438,354

**CancerCare Manitoba Foundation Inc.**  
**Statement of Cash Flows**  
For the Year Ended March 31, 2017

	<u>2017</u>	<u>2016</u>
<b>OPERATING ACTIVITIES</b>		
Excess of fundraising and investment revenue over disbursements and granting activities	\$ 3,682,038	\$ 2,746,024
Items not affecting cash:		
Unrealized investment loss	204,015	2,060,446
Amortization of fixed assets	4,006	7,783
Amortization of deferred contributions	(260,095)	(237,205)
	<u>3,629,964</u>	<u>4,577,048</u>
Changes in non-cash operating working capital items:		
Accounts receivable	177,250	8,382
Prepaid expenses	114,242	(25,284)
Accounts payable and accrued liabilities	292,089	698
Grants payable	(1,327,833)	791,159
Deferred contributions received	120,521	260,095
	<u>3,006,233</u>	<u>5,612,098</u>
<b>INVESTING ACTIVITIES</b>		
Deposits paid and other property development costs	(29,296)	(7,673,502)
Purchase of fixed assets	-	(771)
Acquisition of investments	(4,126,764)	(3,480,200)
Redemption of investments	1,200,000	6,500,000
	<u>(2,956,060)</u>	<u>(4,654,473)</u>
<b>NET INCREASE IN CASH POSITION</b>	<b>50,173</b>	<b>957,625</b>
<b>OPERATING CASH POSITION, BEGINNING OF YEAR</b>	<b>1,105,353</b>	<b>147,728</b>
<b>OPERATING CASH POSITION, END OF YEAR</b>	<b>\$ 1,155,526</b>	<b>\$ 1,105,353</b>

**CancerCare Manitoba Foundation Inc.**  
**Notes to the Financial Statements**  
**March 31, 2017**

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**1. PURPOSE OF THE ORGANIZATION**

CancerCare Manitoba Foundation Inc. ("the Foundation") is an independent agency whose sole purpose is to develop resources that support CancerCare Manitoba in providing optimal cancer control services to Manitobans. Upon acceptance of specific proposals, funds raised are granted for specific projects and equipment.

The Foundation is a registered public foundation under the Income Tax Act and accordingly is exempt from income taxes.

**2. SIGNIFICANT ACCOUNTING POLICIES**

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

*a) Fund accounting*

The Foundation follows the restricted fund method of accounting for contributions.

The Ongoing Unrestricted Fund includes revenue from general fundraising activities of the Foundation and accounts for the Foundation's program delivery and administrative activities. Investment income earned in this fund is unrestricted.

The Ongoing Restricted Funds include resources donated to the Foundation which are directed for specific use, together with funds internally restricted by the Board of Directors.

The Endowment Funds include resources contributed as endowment capital. Income earned on resources of the Endowment Funds is used for various purposes based on the restrictions imposed by contributors of the endowment.

The Capital Fund includes expenditures associated with the Foundation's capital project related to assisting CancerCare Manitoba expand its current facilities as well as the revenues and expenses related to the Capital Campaign that has been undertaken to raise funds for this project.

*b) Fixed assets*

Purchased fixed assets are recorded at original cost. Contributed fixed assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the following useful lives:

Computer hardware	4 years
Computer software	1 year
Furniture and fixtures	5 years

Amortization expense is reported in the Ongoing Unrestricted Fund.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*c) Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value when the Foundation becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except for investments in marketable securities quoted in an active market, which the Foundation chooses to measure at fair value. Changes in fair value are recognized in the Statement of Operations and Changes in Fund Balances.

The Foundation's financial assets measured at fair value include its investments in Canadian equities, global equities and fixed income instruments.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the effective interest method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the effective interest method and recognized in net earnings as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Foundation recognizes in net earnings an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in net earnings in the period the reversal occurs.

*d) Grants*

Grants are reflected as an expense in the fiscal year in which the grants are paid or payable. Invoices received from CancerCare Manitoba in support of grants are accrued and expensed when received and included in grants payable on the Statement of Financial Position.

*e) Revenue recognition*

Restricted contributions related to general operations are recognized as revenue of the Ongoing Unrestricted Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

All unrestricted contributions are recognized as revenue of the Ongoing Unrestricted Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.



**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*e) Revenue recognition (continued)*

Contributions for endowment are recognized as revenue in the Endowment Funds when the funds are received.

Realized investment income and unrealized gains (losses) earned on Endowment and Restricted Funds resources are recognized as revenue of the corresponding Endowment or Restricted Funds, in accordance with board policy. Other realized investment income and unrealized gains (losses) are recognized as revenue of the Ongoing Unrestricted Fund when earned.

Pledges received by the Foundation are not recognized in these financial statements.

*f) Contributed services*

The Foundation receives the help of unpaid volunteers to deliver services. The value of these services is not reflected in the accompanying Statement of Operations and Changes in Fund Balances.

*g) Financial Risk*

The Foundation is exposed to a variety of financial risks by virtue of its investments. Details relating to these risks are as follows:

*Equity market risk*

Equity market risk is the potential for financial loss arising from price changes or volatility in equity markets. Certain of the Foundation's investments are subject to equity market risk.

*Interest Rate Risk*

Interest rate risk refers to the adverse consequences of interest rate changes on the Foundation's cash flows, financial position and income. The Foundation is exposed to interest rate risk on its fixed interest rate financial instruments. These fixed-rate instruments subject the Foundation to the risk of changes in fair value and represent investments in a fixed income pooled fund. The current investment philosophy with respect to the fixed income investments is to preserve capital and temper the impact of potentially rising rates.

*Credit Risk*

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Foundation is exposed to credit risk relating to its accounts receivable and is also indirectly exposed to credit risk through debt securities, such as bonds and mortgages. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The Foundation has invested in investments that are considered to be high quality credit instruments and utilizes an internal Investment Policy and Procedures monitoring process, which reduces credit risk.

**CancerCare Manitoba Foundation Inc.**  
**Notes to the Financial Statements**  
**March 31, 2017**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*g) Financial Risk (continued)*

*Foreign currency risk*

The Foundation owns equity investments denominated in foreign currencies. Accordingly, the Foundation is exposed to fluctuations in exchange rates.

*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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include the fair value of marketable securities. Actual results could differ from these estimates.

**3. INVESTMENTS**

The following provides details regarding the Foundation's investments:

	2017		2016	
	Fair Value	Cost	Fair Value	Cost
Canadian equities	\$ 12,558,949	\$ 9,277,291	\$ 10,193,198	\$ 7,893,335
Global equities	13,647,502	7,210,660	17,996,279	9,287,853
Fixed income	5,024,977	4,904,923	7,075,929	6,796,863
Money market	11,625,708	11,625,708	-	-
Cash	4,374,375	4,374,375	9,243,356	9,243,356
Mineral rights	5,000	5,000	5,000	5,000
	<b>\$ 47,236,511</b>	<b>\$ 37,397,957</b>	<b>\$ 44,513,762</b>	<b>\$ 33,226,407</b>

**4. FIXED ASSETS**

	2017			2016
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware	\$ 51,608	\$ 47,095	\$ 4,513	\$ 8,519
Computer software	16,848	16,848	-	-
Furniture and fixtures	52,325	52,325	-	-
	<b>\$ 120,781</b>	<b>\$ 116,268</b>	<b>\$ 4,513</b>	<b>\$ 8,519</b>

**CancerCare Manitoba Foundation Inc.**  
**Notes to the Financial Statements**  
**March 31, 2017**

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**5. PROPERTY DEVELOPMENT COSTS**

Pursuant to certain agreements dated March 9, 2015, the Foundation purchased and is in the planning process of redeveloping several properties for the benefit of CancerCare Manitoba. It is intended that these efforts will allow CancerCare Manitoba to expand its current facilities so that it is able to respond to the increasing incidence of cancer and provide timely state of the art research and care for the benefit of patients in Manitoba. The Foundation obtained title of the specific properties in August 2015 and January 2016 respectively for a total purchase price of \$18,420,000, of which \$8,550,000 was paid in cash (\$7,550,000 paid in 2016 and \$1,000,000 paid in 2015) and \$9,870,000 was financed by way of a vendor take-back mortgage. The remaining balance included in property development costs represents expenditures directly related to the acquisition and development of the property.

**6. PLEDGES RECEIVED**

The following pledges have been received for future support of the Foundation and its fundraising efforts. The value of these pledges has not been recognized in these financial statements.

	<u>2017</u>	<u>2016</u>
Pledges related to the Capital Campaign	\$ 400,000	\$ 700,000
Pledges related to ongoing support	138,354	210,044
	<u>\$ 538,354</u>	<u>\$ 910,044</u>

**7. DEFERRED CONTRIBUTIONS**

Deferred contributions represent contributions for specific projects and other purposes relating to future periods:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 260,095	\$ 237,205
Additional contributions received	120,521	260,095
Prior year contributions recognized as revenue during the year	(260,095)	(237,205)
Balance, end of year	<u>\$ 120,521</u>	<u>\$ 260,095</u>

**8. MORTGAGE PAYABLE**

In connection with the property acquired for the benefit of CancerCare Manitoba referred to in Note 5, the Foundation obtained a mortgage in favour of the vendor in the principal sum of \$9,870,000. The mortgage is non-interest bearing and the principal sum is payable in full upon the completion of certain events as detailed in the Mortgage Agreement and Purchase and Sales Agreement. The mortgage is secured by the property acquired and all leases and rents associated with the property. It is anticipated that the mortgage will be discharged in full in the 2018 fiscal year and accordingly the mortgage has been classified as current.

**CancerCare Manitoba Foundation Inc.**  
**Notes to the Financial Statements**  
 March 31, 2017

**9. NET FUNDRAISING REVENUE**

a) *Estates & insurance beneficiary*

	<u>2017</u>	<u>2016</u>
Revenue	\$ 1,800,219	\$ 1,755,945
Expenses	(10,457)	(33,063)
	<u>\$ 1,789,762</u>	<u>\$ 1,722,882</u>

b) *General donations*

	<u>2017</u>	<u>2016</u>
Revenue	\$ 2,391,224	\$ 3,116,032
Expenses	(120,979)	(89,372)
	<u>\$ 2,270,245</u>	<u>\$ 3,026,660</u>

c) *Memorial donations*

	<u>2017</u>	<u>2016</u>
Revenue	\$ 525,264	\$ 586,864
Expenses	(53,409)	(56,980)
	<u>\$ 471,855</u>	<u>\$ 529,884</u>

d) *Events*

	<u>2017</u>	<u>2016</u>
Revenue	\$ 4,802,990	\$ 4,189,144
Expenses	(836,406)	(746,220)
	<u>\$ 3,966,584</u>	<u>\$ 3,442,924</u>

**10. REALIZED INVESTMENT INCOME**

	<u>2017</u>	<u>2016</u>
Interest income	\$ 381,289	\$ 408,234
Dividends	484,555	601,554
Realized gain on sale of investments	3,259,726	1,877,956
Investment management fees	(174,373)	(187,142)
	<u>\$ 3,951,197</u>	<u>\$ 2,700,602</u>

**CancerCare Manitoba Foundation Inc.**  
**Notes to the Financial Statements**  
March 31, 2017

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**11. COMMITMENTS**

In addition to the grant allocations made in the 2017 fiscal year and recognized in these financial statements, the Foundation has committed funds to CancerCare Manitoba for grant allocations and associated capital projects as follows:

Outstanding grant commitments pre-2017	\$ 1,631,396
Outstanding grant commitments relating to the 2017 fiscal year	2,991,098
<u>Grant commitments relating to the 2018 fiscal year</u>	<u>14,399,668</u>
	<u>\$ 19,022,162</u>

**12. TRANSFER OF FUNDS**

During the year \$797,300 and \$810,582 was transferred from the Ongoing Unrestricted Fund to the Ongoing Restricted Funds and Endowment Funds respectively to reflect the wishes of the donors of the funds (2016 - \$1,085,252 and \$1,314 was transferred from the Ongoing Unrestricted Fund to the Ongoing Restricted Funds and Endowment Funds respectively).

**13. PENSION PLAN**

The employees of the Foundation are members of the Health Employees' Pension Plan (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2015 indicates the plan is in a deficit.

The HEPP board continues to monitor the Plan's financial progress in order to align the assets and liabilities based on Plan experience and investment returns over the long-term. The Foundation has fully met its obligations and has fully paid the required premiums. Contributions to the plan made during the year by the Foundation on behalf of its employees amounted to \$105,690 (2016 - \$104,041) and are included in the statement of operations.