

Financial statements

**The Cedars Cancer Foundation at the
McGill University Health Center /
La Fondation du Cancer des Cèdres au Centre
Universitaire de Santé McGill**

March 31, 2016



EY

Independent auditors' report

To the Board Members of
**The Cedars Cancer Foundation at the McGill University Health Center/
La Fondation du Cancer des Cèdres au Centre Universitaire de Santé McGill**

We have audited the accompanying financial statements of **The Cedars Cancer Foundation at the McGill Health Center / La Fondation du Cancer des Cèdres au Centre Universitaire de Santé McGill** [the "Organization"], which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in Funds' balances, and cash flows for the year ended March 31, 2016, and a summary of significant accounting policies and other explanatory information.

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.

Auditors' 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 auditors' 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 auditors consider 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 not-for-profit organizations, the Organization derives revenue from donations and fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses for the year ended March 31, 2016, current assets as at March 31, 2016, and net assets as at March 31, 2016. Our audit opinion on the financial statements for the year ended March 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.



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 the Organization as at March 31, 2016, and the results of its operations for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on other legal and regulatory requirements

As required by the Canada Corporations Act, we report that, in our opinion, these principles in Canadian accounting standards for not-for-profit have been applied on a consistent basis.

Ernst & Young LLP¹

Montreal, Canada
September 15, 2016

¹ CPA auditor, CA, public accountancy permit no. A121006



The Cedars Cancer Foundation at the McGill University Health Center /
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Statement of financial position

	March 31, 2016					March 31, 2015	
	General fund \$	Vivian Saykaly Visiting Professor in Medical Oncology Endowment fund \$	The Wilfrid Howick Humanitarian Endowment fund \$	The Larry and Cookie Rossy Chair in Oncology at McGill Endowment fund \$	The Cedars Best Care for Life fund \$	Total \$	Total \$
Assets							
Current assets							
Cash and cash equivalents	45,762	—	—	—	—	45,762	10,053
Investments in a Master Trust <i>[note 3]</i>	1,755,357	162,349	803,014	3,391,099	7,487,706	13,599,525	13,947,502
Due from the BCFL fund from the endowment and general funds	—	—	—	—	231,500	231,500	157,248
Accounts receivable and other <i>[note 4]</i>	114,677	—	—	—	—	114,677	63,133
Capital assets	18,670	—	—	—	—	18,670	6,766
Deposits to suppliers	2,412	—	—	—	—	2,412	2,682
	1,936,878	162,349	803,014	3,391,099	7,719,206	14,012,546	14,187,384
Liabilities							
Current liabilities							
Accounts payable and accrued liabilities	425,898	—	—	—	—	425,898	573,646
Due to the BCFL fund from the endowment and general funds	220,942	9,971	587	—	—	231,500	—
Deferred revenue restricted in connection with Sarah's Fund	72,102	—	—	—	—	72,102	68,599
	718,942	9,971	587	—	—	729,500	642,245
Funds' balances							
Restricted funds	—	152,378	802,427	3,391,099	7,719,206	12,065,110	11,732,540
Internally restricted funds <i>[note 5]</i>	1,498,248	—	—	—	—	1,498,248	1,320,426
Unrestricted funds	(280,312)	—	—	—	—	(280,312)	492,173
	1,217,936	152,378	802,427	3,391,099	7,719,206	13,283,046	13,545,139
Total liabilities and funds' balances	1,936,878	162,349	803,014	3,391,099	7,719,206	14,012,546	14,187,384

Commitments *[note 5]*

See accompanying notes

The Cedars Cancer Foundation at the McGill University Health Center /
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Statement of changes in funds' balances

	General fund \$	Vivian Saykaly Visiting Professor in Medical Oncology Endowment fund \$	The Wilfrid Howick Humanitarian Endowment fund \$	The Larry and Cookie Rossy Chair in Oncology at McGill Endowment fund \$	The Cedars Best Care for Life fund \$	Total \$
March 31, 2016						
Fund balances, beginning of the year	1,812,599	162,171	802,155	3,387,621	7,380,593	13,545,139
(Deficiency) excess of revenues over expenses during 2016	(594,663)	(9,793)	272	3,478	338,613	(262,093)
Fund balances, end of year	1,217,936	152,378	802,427	3,391,099	7,719,206	13,283,046
March 31, 2015						
Fund balances, beginning of the year	2,342,061	168,960	744,299	3,042,260	737,000	7,034,580
(Deficiency) excess of revenues over expenses during 2015	(529,462)	(6,789)	57,856	345,361	6,643,593	6,510,559
Fund balances, end of year	1,812,599	162,171	802,155	3,387,621	7,380,593	13,545,139

See accompanying notes

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Statement of operations

	March 31, 2016					March 31, 2015	
	General fund	Vivian Saykaly Visiting Professor in Medical Oncology Endowment fund	The Wilfrid Howick Humanitarian Endowment fund	The Larry and Cookie Rossy Chair in Oncology at McGill Endowment fund	The Cedars Best Care for Life fund	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Revenues							
Charity events organized by the Cedars and third parties	1,734,009	—	—	—	—	1,734,009	2,195,552
Revenue generated from charity events and donations benefiting Sarah's Fund	511,011	—	—	—	—	511,011	591,719
Special restricted donation related to BCFL campaign	—	—	—	—	1,921,500	1,921,500	6,400,000
Donations	588,050	—	—	—	—	588,050	761,058
Other contributions – net	667,159	—	—	—	—	667,159	321,357
Changes in unrealized gains (losses) on investments in a Master Trust	(80,432)	(10,901)	(10,905)	(227,703)	(502,778)	(832,719)	(282,012)
Net investment income realized from investments in a Master Trust	70,262	11,079	11,764	231,181	510,458	834,744	1,252,845
	3,490,059	178	859	3,478	1,929,180	5,423,754	11,240,519
Expenses							
Administrative	479,122	—	—	—	—	479,122	378,755
Capital campaign direct salaries and contractors fees	186,000	—	—	—	—	186,000	—
Charity events organized by the Cedars and third parties	1,183,722	—	—	—	—	1,183,722	1,325,339
Charity events in connection with Sarah's Fund	192,413	—	—	—	—	192,413	179,680
	2,041,257	—	—	—	—	2,041,257	1,883,774
Excess of revenues over expenses available for distributions, grants, program costs and other undernoted items	1,448,802	178	859	3,478	1,929,180	3,382,497	9,356,745
Distribution commitments [note 5]	611,622	—	—	—	1,690,000	2,301,622	1,661,460
Distributions	163,334	—	—	—	—	163,334	55,034
Distributions in connection with Sarah's Fund	418,599	—	—	—	—	418,599	412,039
Disbursements under the Cedars CanSupport Program	761,035	—	—	—	—	761,035	717,653
Transfer of funds from the General fund to the BCFL fund	99,433	—	—	—	(99,433)	—	—
Transfers from the endowment funds to the General fund	(10,558)	9,971	587	—	—	—	—
	2,043,465	9,971	587	—	1,590,567	3,644,590	2,846,186
(Deficiency) excess of revenues over expenses for the year	(594,663)	(9,793)	272	3,478	338,613	(262,093)	6,510,559

See accompanying notes

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Statement of cash flows

Year ended March 31

	2016	2015
	\$	\$
Operating activities		
(Deficiency) Excess of revenue over expenses for the year	(262,093)	6,510,559
Net change in non-cash working capital balances related to operations	(32,466)	237,632
Cash used by operating activities	(294,559)	6,748,191
Investing activities		
Addition to capital assets	(17,709)	—
Net decrease (increase) in investments in a Master Trust	347,977	(6,714,426)
Cash provided by (used in) investing activities	330,268	(6,714,426)
Net increase in cash and cash equivalents during the year	35,709	33,765
Cash and cash equivalents (bank overdraft), beginning of year	10,053	(23,712)
Cash and cash equivalents, end of year	45,762	10,053

See accompanying notes

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Notes to financial statements

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1. Nature of operations

The Cedars Cancer Foundation at the McGill University Health Center [the “Organization” or “Cedars”], previously known as the Cedars Cancer Institute, is a registered charity formed on December 12, 2008 and designated as a public foundation under the Income Tax Act (Canada), whose mission is to raise monies, to promote, encourage, support and to further research in the fight against cancer from pediatric to adolescent and young adult to adult through palliative care with special emphasis on cause and prevention. Its mission is to as well investigate and evaluate new methods and techniques in the treatment of cancer, fund equipment, sponsor guest lecturers in oncology and related issues and to establish fellowships for the medical communities of the McGill University Health Centre [“MUHC”] to further research and advance education. It is also in the mission to offer programs that provide psychosocial, practical and humanitarian assistance to cancer patients and their families. The Organization’s objective is also to raise funds to help the CanSupport Program and the oncology department of the MUHC. It is not taxable as long as it complies with all relevant taxation regulations.

The Organization’s revenues include income from general public donations, revenues from events organized by the Organization and/or third parties for its benefit and investment income.

2. Summary of significant accounting policies

Significant accounting policies

These financial statements are prepared in accordance with Part III of the Canadian Institute of Chartered Accountants [“CICA”] Handbook – Accounting, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

[a] Fund accounting

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Organization, the accounts of the Cedars are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and presentation purposes into funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors of the Organization.

For financial reporting purposes, the funds have been classified as follow:

General fund

The General fund includes all the unrestricted resources. It includes unrestricted donations, restricted donations for which a separate fund is not created, unrestricted investment income and operating expenditures.

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Endowment funds

The Endowment funds consist of donations received from donors requesting that their donations be permanently retained and the income generated be spent in accordance with the donor's specifications.

- The Larry and Cookie Rossy Chair in Oncology at McGill fund has as its purpose the establishment of a permanent endowment Chair in Oncology at McGill University in cancer care and based at the MUHC;
- The Wilfrid Howick Humanitarian Endowment fund exists to assist needy cancer patients and/or families who have limited financial means;
- The Vivian Saykaly Visiting Professor in Medical Oncology Endowment fund exists to defray the cost of inviting a visiting professor in medical oncology, annually and in perpetuity.

Best Care for Life fund

The Best Care for Life ["BCFL"] fund is a restricted fund for which donations to Cedars on behalf of the BCFL are restricted specifically to the BCFL campaign benefiting the MUHC.

The Sarah's Fund for pediatric oncology

The Organization collects contributions from donations and charity events for the benefit of the Sarah's Fund for pediatric oncology [the "Sarah's Fund"]. Revenues generated for the Sarah's Fund and distributions made in connection with the Sarah's Fund mission are presented separately on the statement of operations.

Expenditures

Expenditures related to a specific fund are expensed in the appropriate fund. Operating expenses are expensed in the General fund unless management determines to allocate them to a specific fund, based on the nature of expense. Operating expenses include administrative expenses, a portion of which is allocated to charity events or CanSupport Program based on a rational basis related to the individuals' involvement with these events and programs.

Accounting estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and from time to time short-term bank deposits with a maturity of three months or less from the date of purchase and are recorded at cost, which approximates their fair value due to their short-term nature.

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Financial instruments

The Organization recognizes and measures its significant financial instruments as follows:

Cash and cash equivalents	held for trading
Investments	designated as held for trading
Accounts receivable	loans and receivables
Accounts payable and accrued liabilities	other financial liability

All financial instruments are initially measured at fair value including loans and receivables and other financial liabilities which are subsequently measured at amortized cost. The carrying value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short term nature.

Investments, designated as held-for-trading financial assets, are measured at fair value at each reporting period and changes in fair value are recognized in the excess (deficiency) of revenues over expenses.

Transaction costs over financial instruments classified as held-for-trading are expensed as incurred.

Revenue recognition

The Organization uses the restricted fund method of accounting for contributions. The Organization also recognizes its revenues when cash is received in the appropriate fund and by using the deferral method until the related expenses are incurred and services are rendered to the contributors for restricted contributions for which a separate fund is not created. Expenses are recognized as incurred. Pledges for donations and contributions are recognized only when received.

Revenues and expenses related to charitable events organized and controlled by the Cedars are presented at their respective gross amounts in the statement of operations. Events organized by third parties where the Cedars is only the beneficiary from amounts and profits collected are shown on a net basis which corresponds to the amounts received by the Organization, as the beneficiary of the event.

Investment income, which consists of interest, dividends, and realized and unrealized gains and losses, is recorded as revenue in the statement of operations. Dividend income is recognized as of the ex-dividend date. Interest income is recognized according to the accrual basis of accounting. Realized gains and losses on disposals of investments are accounted for at the date of disposal, based on the average cost of the investments. Investment management fees and custodian fees are presented net of the investment income in the statement of operations.

Unrestricted donations and restricted donations for which a separate fund is not created are recognized as revenue in the General fund when received or by using the deferral method, respectively. Endowment contributions are recognized as revenue in the respective Endowment fund, when received or receivable if the amount to be received can be reasonably estimated and collection is reasonable assured. Restricted donations or contributions to the BCFL campaign or fund are recognized as revenue in the BCFL fund, when received or receivable if the amount to be received can be reasonably estimated and collection is reasonable assured.

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Foreign currency translation

Foreign currency transactions entered into by the Organization are translated as follows: monetary assets and liabilities are translated at the exchange rates in effect at the statement of financial position date. Revenues and expenses are translated at exchange rates prevailing at the transaction dates. Gains and losses arising from fluctuations in exchange rates are reflected in the statement of operations.

Volunteer services

The Cedars benefits from substantial services in the form of volunteer time. Due to the difficulty of determining their fair value, volunteer services are not recorded in these financial statements.

Income taxes

The Organization is a charity as defined in the Income Tax Act (Canada) and is not subject to income taxes.

3. Investments

Certain of the Cedars' investments are managed by the CIBC Mellon Trust and consist of units held in separate accounts of a Master Trust in which the Royal Victoria Hospital Foundation [the "RVHF"] manages its own investments. The underlying investments of the Master Trust at the RVHF consist of marketable securities and are carried at their fair value. Their fair values and allocation per fund were as follows as at March 31:

	2016 \$	2015 \$
Investments at fair value in a Master Trust		
General fund	1,755,357	2,057,714
Endowment funds	4,356,462	4,409,762
BCFL fund	7,487,706	7,480,026
	13,599,525	13,947,502

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices and general market volatility, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Organization, through its finance committee and board of directors, manages the financial risk related to its investments by monitoring the asset allocation among its investments to offer a range of investment options and effectively manage the risk/return spectrum appropriate for its investment funds. Exposure to the market risk is closely monitored and maintained within the limits set out in the Organization's various policies.

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Interest rate risk

The interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Furthermore, interest rate fluctuations could have an effect on the Organization's interest income derived from its cash and cash equivalents and investments. Even though it is impossible to completely eliminate such risk, it can be mitigated by the various investment options available to the Organization and managed by its finance committee and board of directors.

Credit risk and counterparty risk

Given the nature of its accounts receivable the Organization does not believe it is exposed to a significant credit risk. For financial institutions including the various counterparties, the maximum credit risk as at March 31, 2016 relates to cash and cash equivalents and investments. These assets are held or traded with a limited number of financial institutions and other counterparties.

The Organization is exposed to the risk that the financial institutions and other counterparties with which it holds securities or enters into agreements could be unable to honour their obligations. The Organization minimizes this risk by entering into agreements with large financial institutions and other large counterparties with appropriate credit ratings and reputation.

Foreign currency risk

Foreign currency risk is the risk that the value of investments will fluctuate as a result of changes in foreign exchange rates. Foreign currency risk derives from investments and deposits denominated in non-Canadian currencies. As at March 31, 2016, the investments' mix accounted for approximately 18% of foreign investments exposed to foreign currency risks. The finance committee and board of directors manage the foreign currency risk as part of their mandate.

Liquidity risk

The Organization is exposed to the risk of being unable to honour its financial commitments on a timely basis as set out under the terms of such commitments. The Organization, through its finance committee and board of directors, monitors its cash and investments resources to ensure their sound management, financing and timely payment of commitments on an Organization-wide basis.

Capital management

In managing capital, the Organization focuses on liquid resources available for operations. The Organization defines its capital as the restricted and unrestricted funds. The Organization's objective is to have sufficient liquid resources to continue operating despite events with adverse financial consequences and to provide itself with the flexibility to take advantage of opportunities that will advance its objectives. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at March 31, 2016, the Organization has met its objective of having sufficient liquid resources to meet its current obligations. The Organization has certain commitments disclosed in note 5 to the financial statements and it expects to meet these commitments by raising funds in the future years.

The Organization is not subject to any externally imposed capital requirements except for what is disclosed in note 5.

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4. Accounts receivable and other

The accounts receivable and other consist of:

	2016	2015
	\$	\$
Commodity taxes receivable	89,988	60,633
Other	24,689	2,500
	114,677	63,133

5. Internally restricted funds

Internally restricted funds consist mainly of funds committed by the Cedars for the benefit of third parties. Major categories of internally restricted fund balances are as follows:

	2016
	\$
Commitments for	
Payment in relation to the Rossy Cancer Network	600,000
Frank Rana Capital campaign for supportive care center	501,804
Supportive palliative care fund	149,710
Carole Epstein ovarian cancer mobile unit	100,000
Transition of Cedars patient education oncology module	63,750
Dr. Shustik's MUHC multiple Myeloma Research center	40,000
Call center at the Cedars Cancer Center	30,360
Dr. Abdulkarim, WIFI and tablets	12,624
As at March 31, 2016	1,498,248
Less: amounts paid after year end:	
Transition of Cedars patient education oncology module	21,250
Dr. Abdulkarim, WIFI and tablets	7,000
Total payments made after March 31, 2016	28,250
Balance of commitments	1,469,998

Pledge to support raising funds in support of MUHC

In February 2013, the Rossy Foundation, McGill, the MUHC and other affiliated hospitals [hereafter the "MAHN hospitals"] signed a Gift Agreement [the "Gift"] under which the Rossy Foundation wishes to donate a Gift to the MAHN and the McGill University in the amount of \$28 million over a period of 10 years or \$2.8 million every year, being effective as of the year ended March 31, 2012. As a result, the Rossy Cancer Network ["RCN"] was created with the objective to improve the quality of cancer care amongst the patients of the MAHN hospitals by allocating from the Gift an amount of \$18 million to the benefit of the MAHN hospitals and another \$10 million for academic expenditures of the Faculty of Medicine at the McGill University.

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The MAHN and McGill, being the recipients, will be required to match the donation gifts annually. The Cedars Cancer Foundation, through its board of directors, has agreed to support the RCN by raising funds in support of the MUHC annual contribution. The Cedars has therefore agreed to raise, without being obligated to and subject to its General funds' availability, an amount of \$800,000 annually payable in four installments of 25% each for the next 9 years or \$7.2 million in total, being effective as of fiscal 2014. As agreed among all parties to the Gift agreement, all payments from July 2015 to June 2016 were temporarily suspended, with the next payment becoming effective October 1st, 2016.

Pledge to support the BCFL capital campaign

The Cedars Cancer Foundation, through its board of directors, has agreed to support the MUHC's BCFL fundraising campaign. The Cedars has therefore agreed to raise, subject to its General fund and BCFL fund's availability a total amount of \$22.9 million. The Cedars Cancer Foundation has already contributed \$7.9 million of its promised \$22.9 million commitment to the BCFL campaign, including a disbursement of \$1.7 million during the fiscal 2016, and the outstanding amount of \$15.0 million will be paid out over the next eight years until 2024.

6. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year to better reflect the expenses associated to the events.

