

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, 2015



**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, 2015, and the statements of operations, changes in Funds' balances, and cash flows for the year ended March 31, 2015, 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 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, 2015, current assets as at March 31, 2015, and net assets as at March 31, 2015. Our audit opinion on the financial statements for the year ended March 31, 2015 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, 2015, 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 LLP<sup>1</sup>*

Montréal, Canada  
September 2, 2015

<sup>1</sup> CPA auditor, CA, public accountancy permit no. A121006



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

	March 31, 2015					March 31, 2014	
	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
	\$	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and cash equivalents (bank overdraft)	10,053	—	—	—	—	10,053	(23,712)
Investments in a Master Trust <i>[note 3]</i>	2,057,714	176,016	846,125	3,387,621	7,480,026	13,947,502	7,233,076
Due to the General fund from the endowment and restricted funds	157,248	—	—	—	—	157,248	180,363
Accounts receivable and other <i>[note 4]</i>	63,133	—	—	—	—	63,133	61,467
Capital assets	6,766	—	—	—	—	6,766	9,025
Deposits to suppliers	2,682	—	—	—	—	2,682	2,439
	<b>2,297,596</b>	<b>176,016</b>	<b>846,125</b>	<b>3,387,621</b>	<b>7,480,026</b>	<b>14,187,384</b>	<b>7,462,658</b>
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Accounts payable and accrued liabilities	416,398	13,845	43,970	—	99,433	573,646	366,039
Deferred revenue restricted in connection with Sarah's Fund	68,599	—	—	—	—	68,599	62,039
	<b>484,997</b>	<b>13,845</b>	<b>43,970</b>	<b>—</b>	<b>99,433</b>	<b>642,245</b>	<b>428,078</b>
<b>FUNDS' BALANCES</b>							
Restricted funds	—	162,171	802,155	3,387,621	7,380,593	11,732,540	3,955,519
Internally restricted funds <i>[note 5]</i>	1,320,426	—	—	—	—	1,320,426	2,052,898
Unrestricted funds	492,173	—	—	—	—	492,173	1,026,163
	<b>1,812,599</b>	<b>162,171</b>	<b>802,155</b>	<b>3,387,621</b>	<b>7,380,593</b>	<b>13,545,139</b>	<b>7,034,580</b>
<b>TOTAL LIABILITIES AND FUNDS' BALANCES</b>	<b>2,297,596</b>	<b>176,016</b>	<b>846,125</b>	<b>3,387,621</b>	<b>7,480,026</b>	<b>14,187,384</b>	<b>7,462,658</b>

Commitments *[note 5]*

See accompanying notes

On behalf of the Board:

Director

Director

**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
	\$	\$	\$	\$	\$	\$
<b>March 31, 2015</b>						
Fund balances, beginning of the year	2,342,061	168,960	744,299	3,042,260	737,000	7,034,580
Excess (deficiency) of revenues over expenses during 2015	(529,462)	(6,789)	57,856	345,361	6,643,593	6,510,559
<b>Fund balances, end of year</b>	<b>1,812,599</b>	<b>162,171</b>	<b>802,155</b>	<b>3,387,621</b>	<b>7,380,593</b>	<b>13,545,139</b>
<b>March 31, 2014</b>						
Fund balances, beginning of the year	2,882,348	162,092	714,046	3,042,260	737,000	7,537,746
Excess (deficiency) of revenues over expenses during 2014	(540,287)	6,868	30,253	—	—	(503,166)
<b>Fund balances, end of year</b>	<b>2,342,061</b>	<b>168,960</b>	<b>744,299</b>	<b>3,042,260</b>	<b>737,000</b>	<b>7,034,580</b>

*See accompanying notes*

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**STATEMENT OF OPERATIONS**

	March 31, 2015					March 31, 2014	
	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
	\$	\$	\$	\$	\$	\$	\$
<b>Revenues</b>							
Charity events organized by the Cedars and third parties	2,195,552	—	—	—	—	2,195,552	1,943,069
Revenue generated from charity events and donations benefiting Sarah's Fund	591,719	—	—	—	—	591,719	445,202
Special restricted donation related to BCFL campaign	—	—	—	—	6,400,000	6,400,000	—
Donations	361,058	—	—	—	400,000	761,058	285,113
Other contributions	321,357	—	—	—	—	321,357	388,048
Interest income from term deposits	—	—	—	—	—	—	8,389
Changes in unrealized gains (losses) on investments in a Master Trust	(229,757)	(850)	1,051	(16,352)	(36,104)	(282,012)	191,744
Net investment income realized from investments in a Master Trust	646,914	7,906	100,775	361,713	135,537	1,252,845	461,230
	<b>3,886,843</b>	<b>7,056</b>	<b>101,826</b>	<b>345,361</b>	<b>6,899,433</b>	<b>11,240,519</b>	<b>3,722,795</b>
<b>Expenses</b>							
Administrative	594,615	—	—	—	—	594,615	539,018
Charity events organized by the Cedars and third parties	1,109,479	—	—	—	—	1,109,479	983,999
Charity events in connection with Sarah's Fund	179,680	—	—	—	—	179,680	88,463
	<b>1,883,774</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,883,774</b>	<b>1,611,480</b>
<b>Excess of revenues over expenses available for distributions, grants, program costs and other undernoted items</b>	<b>2,003,069</b>	<b>7,056</b>	<b>101,826</b>	<b>345,361</b>	<b>6,899,433</b>	<b>9,356,745</b>	<b>2,111,315</b>
Distribution commitments <i>[note 5]</i>	1,505,053	—	—	—	156,407	1,661,460	1,174,973
Distributions	55,034	—	—	—	—	55,034	350,590
Distributions in connection with Sarah's Fund	412,039	—	—	—	—	412,039	543,509
Disbursements under the Cedars CanSupport Program	717,653	—	—	—	—	717,653	545,409
Transfer of net investment income from the BCFL fund to the General fund	(99,433)	—	—	—	99,433	—	—
Transfers from the endowment funds to the General Fund	(57,815)	13,845	43,970	—	—	—	—
	<b>2,532,531</b>	<b>13,845</b>	<b>43,970</b>	<b>—</b>	<b>255,840</b>	<b>2,846,186</b>	<b>2,614,481</b>
<b>Excess (deficiency) of revenues over expenses for the year</b>	<b>(529,462)</b>	<b>(6,789)</b>	<b>57,856</b>	<b>345,361</b>	<b>6,643,593</b>	<b>6,510,559</b>	<b>(503,166)</b>

See accompanying notes

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**STATEMENT OF CASH FLOWS**

Year ended March 31

	<b>2015</b>	<b>2014</b>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
(Deficiency) / Excess of revenue over expenses for the year	<b>6,510,559</b>	(503,166)
Net change in non-cash working capital balances related to operations	<b>237,632</b>	(1,079,968)
<b>Cash used by operating activities</b>	<b>6,748,191</b>	(1,583,134)
<b>INVESTING ACTIVITIES</b>		
Addition to capital assets	—	(9,025)
Net decrease in term deposits	—	1,000,000
Net increase in investments in a Master Trust	<b>(6,714,426)</b>	(1,652,976)
<b>Cash (used in) provided by investing activities</b>	<b>(6,714,426)</b>	(662,001)
<b>Net (decrease) increase in cash and cash equivalents during the year</b>	<b>33,765</b>	(2,245,135)
Cash and cash equivalents (bank overdraft), beginning of year	<b>(23,712)</b>	2,221,423
<b>Cash and cash equivalents (bank overdraft), end of year</b>	<b>10,053</b>	(23,712)

*See accompanying notes*

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**NOTES TO FINANCIAL STATEMENTS**

March 31, 2015

**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**

**A. 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.

**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.

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**Cash and cash equivalents**

Cash and cash equivalents include cash on hand and 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.

**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.

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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.

**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.

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**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:

	<b>2015</b>	<b>2014</b>
	\$	\$
<b>Investments at fair value in a Master Trust</b>		
General fund	<b>2,057,714</b>	5,402,454
Endowment funds	<b>4,409,762</b>	1,093,622
BCFL fund	<b>7,480,026</b>	737,000
	<b>13,947,502</b>	7,233,076

**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.

**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, 2015 relates to cash and cash equivalents and investments. These assets are held or traded with a limited number of financial institutions and other counterparties.

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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, 2015, the investments' mix accounted for approximately 15% 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, 2015, 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:

	2015 \$	2014 \$
Commodity taxes receivable	60,633	45,271
Other	2,500	16,196
	<b>63,133</b>	<b>61,467</b>

**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:

	2015 \$
<b>Commitments for</b>	
Payment in relation to the Rossy Cancer Network	1,000,000
MUHC psychosocial program for 3 years [extended 2013-2014-2015]	200,000
Dr. Shustik's MUHC multiple Myeloma Research center	40,000
Call center at the Cedars Cancer Center	30,360
Patient education	25,000
Dr. Abdulkarim, WIFI and tablets	12,624
Nancy Raffis seed money to develop body fit form device	8,500
Dr Aprikian, RVH Radio Oncology fax server	1,442
Support of manual tumor registrar meeting e-education	2,500
	<b>1,320,426</b>
<b>As at March 31, 2015</b>	
Less: amounts paid after year end:	
Patient education	(25,000)
<b>Total payments made after March 31, 2015</b>	<b>(25,000)</b>
<b>Balance of commitments</b>	<b>1,295,426</b>

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 dollars over a period of 10 years or \$2.8 million dollars 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 dollars to the benefit of the MAHN hospitals and another \$10 million dollars 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. An amount of \$600,000 has been distributed in fiscal 2015. An amount of \$200,000 for a payment due is included within the accounts payable and the balance of \$200,000 relating to fiscal 2015 and the annual payment of \$800,000 in relation to fiscal 2016 have been included in the internally restricted funds schedule above.

**6. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year for the separate reporting of the BCFL fund.

