

ALBERTA CANCER FOUNDATION

FINANCIAL STATEMENTS

MARCH 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Trustees of the Alberta Cancer Foundation

We have audited the accompanying financial statements of the Alberta Cancer Foundation, which comprise the statement of financial position as at March 31, 2017, the statement of operations, changes in fund balances, remeasurement gains and losses and cash flows for the year then ended, and notes, comprising 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 public sector accounting standards, 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 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 our 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, we 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 audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Alberta Cancer Foundation as at March 31, 2017, and its results of operations, changes in fund balances, remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

May 31, 2017
Edmonton, Canada

ALBERTA CANCER FOUNDATION
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2017

	2017	2016
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents (note 3)	\$ 13,261,912	\$ 10,794,370
Accounts receivable and prepaid expenses	1,186,967	1,157,841
Pledges receivable (note 4)	816,956	976,790
	15,265,835	12,929,001
Investments (note 5)	146,948,129	143,415,890
Capital assets (note 7)	495,306	608,182
Other assets	63,358	63,358
Total Assets	\$ 162,772,628	\$ 157,016,431
<u>LIABILITIES AND FUND BALANCES</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 686,064	\$ 948,075
Deferred revenues	32,640	39,421
Lease inducement	-	2,748
Due to Alberta Health Services	722,838	1,592,669
	1,441,542	2,582,913
Fund balances:		
Unrestricted Fund	2,360,954	1,740,533
Restricted Fund (note 8)	57,499,015	56,530,865
Endowment Fund (note 9)	70,044,356	69,310,391
Capital Asset Fund	495,306	608,182
Total Fund balances	130,399,631	128,189,971
Accumulated remeasurement gains	30,931,455	26,243,547
	161,331,086	154,433,518
Total Liabilities and Fund Balances	\$ 162,772,628	\$ 157,016,431
Commitments (note 15)		

The accompanying notes are part of these financial statements.

Approved by the Trustees

[Original signed by]

[Original signed by]

Tom Hodson
Chair, Alberta Cancer Foundation

Sandip Lalli
Chair, Audit & Finance Committee

ALBERTA CANCER FOUNDATION
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2017

	2017				2016	
	<u>Unrestricted</u>	<u>Restricted Fund</u>	<u>Endowment Fund</u>	<u>Capital Asset</u>	<u>Total</u>	<u>Total</u>
	<u>Fund</u>			<u>Fund</u>		
Revenues						
Fundraising	\$ 3,588,629	\$ 11,058,287	\$ 683,965	\$ -	\$ 15,330,881	\$ 19,752,166
Challenge events	-	7,456,719	-	-	7,456,719	7,526,868
Lottery (note 10)	8,272,852	-	-	-	8,272,852	8,870,902
Grants	17,638	-	-	-	17,638	10,200
Returned program investments	-	523,719	-	-	523,719	1,532,041
Investment and other income (note 12)	3,102,519	4,635,405	-	-	7,737,924	10,530,037
Total revenues	14,981,638	23,674,130	683,965	-	39,339,733	48,222,214
Program investments and expenditures						
Program investments (note 13)	1,738,219	13,673,082	-	-	15,411,301	19,981,416
Direct fundraising and event management	2,198,828	4,718,852	-	-	6,917,680	7,468,065
Lottery (note 10)	7,166,133	-	-	-	7,166,133	7,713,420
Administrative and fundraising	7,522,083	-	-	112,876	7,634,959	7,795,278
Total program investments and expenditures	18,625,263	18,391,934	-	112,876	37,130,073	42,958,179
Excess (deficiency) of revenues over program investments and expenditures	<u>\$ (3,643,625)</u>	<u>\$ 5,282,196</u>	<u>\$ 683,965</u>	<u>\$ (112,876)</u>	<u>\$ 2,209,660</u>	<u>\$ 5,264,035</u>

The accompanying notes are part of these financial statements.

ALBERTA CANCER FOUNDATION
STATEMENT OF CHANGES IN FUND BALANCES
MARCH 31, 2017

	2017				
	<u>Unrestricted</u> <u>Fund</u>	<u>Restricted Fund</u>	<u>Endowment Fund</u>	<u>Capital Asset</u> <u>Fund</u>	<u>Total</u>
Fund balances, beginning of year	\$ 1,740,533	56,530,865	\$ 69,310,391	\$ 608,182	\$ 128,189,971
Excess (deficiency) of revenues over program investments and expenditures	(3,643,625)	5,282,196	683,965	(112,876)	2,209,660
Interfund transfers					
Transfers	4,264,046	(4,314,046)	50,000	-	-
Fund balances, end of year	<u>\$ 2,360,954</u>	<u>\$ 57,499,015</u>	<u>\$ 70,044,356</u>	<u>\$ 495,306</u>	<u>\$ 130,399,631</u>

	2016				
	<u>Unrestricted</u> <u>Fund</u>	<u>Restricted Fund</u>	<u>Endowment Fund</u>	<u>Capital Asset</u> <u>Fund</u>	<u>Total</u>
Fund balances, beginning of year	\$ 1,473,172	\$ 52,598,507	\$ 68,142,263	\$ 711,994	\$ 122,925,936
Excess (deficiency) of revenues over program investments and expenditures	(2,495,082)	6,752,002	1,134,920	(127,805)	5,264,035
Interfund transfers					
Transfers	2,786,436	(2,819,644)	33,208	-	-
Purchases of capital assets	(23,993)	-	-	23,993	-
Fund balances, end of year	<u>\$ 1,740,533</u>	<u>\$ 56,530,865</u>	<u>\$ 69,310,391</u>	<u>\$ 608,182</u>	<u>\$ 128,189,971</u>

ALBERTA CANCER FOUNDATION
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
YEAR ENDED MARCH 31, 2017

	2017				2016	
	<u>Unrestricted</u> <u>Fund</u>	<u>Restricted Fund</u>	<u>Endowment Fund</u>	<u>Capital Asset</u> <u>Fund</u>	<u>Total</u>	<u>Total</u>
Accumulated remeasurement gains, beginning of year	\$ -	\$ 26,243,547	\$ -	\$ -	\$ 26,243,547	\$ 32,945,867
Unrealized gains (losses) attributable to:						
Equity instruments	-	7,964,039	-	-	7,964,039	(2,149,928)
Designated fair value instruments	-	35,507	-	-	35,507	-
Realized gains, reclassified to the statement of operations						
Equity instruments	-	(3,311,638)	-	-	(3,311,638)	(4,552,392)
Change in net remeasurement gains (losses) for the year	-	4,687,908	-	-	4,687,908	(6,702,320)
Accumulated remeasurement gains, end of year	<u>\$ -</u>	<u>\$ 30,931,455</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,931,455</u>	<u>\$ 26,243,547</u>

ALBERTA CANCER FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2017

	2017	2016
Cash (used by) generated from:		
Operating activities:		
Excess of revenues over program investments and expenditures	\$ 2,209,660	\$ 5,264,035
Items not involving cash:		
Realized gains on disposal of investments	(3,283,192)	(4,492,113)
Donated shares	(1,255,039)	(440,415)
Amortization of capital assets	112,876	127,805
Amortization of lease inducement	(2,748)	(8,244)
Change in non-cash operating working capital accounts:		
Accounts receivable and prepaid expenses	(29,126)	(201,072)
Pledges receivable	159,834	707,995
Accounts payable and accrued liabilities	(262,011)	(762,288)
Deferred revenues	(6,781)	(429,916)
Due to Alberta Health Services	(869,831)	290,462
Cash (used by) generated from operating activities	(3,226,358)	56,249
Investing and financing activities:		
Purchase of investments	(42,270,253)	(30,839,122)
Proceeds on sale of investments	47,964,153	34,858,989
Purchase of capital assets	-	(23,993)
Cash generated from investing and financing activities	5,693,900	3,995,874
Increase in cash and cash equivalents	2,467,542	4,052,123
Cash and cash equivalents, beginning of year	10,794,370	6,742,247
Cash and cash equivalents, end of year	\$ 13,261,912	\$ 10,794,370

The accompanying notes are part of these financial statements.

**ALBERTA CANCER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017**

Note 1 Authority and purpose

The Alberta Cancer Foundation (the “Foundation”) operates under the authority of the Regional Health Authorities Act, Section 23(1)(n), the Alberta Cancer Foundation Regulation 70/2009, is subject to the requirements of the Charitable Fundraising Act and is registered with Canada Revenue Agency (CRA) as a charitable foundation.

The Foundation receives donations, raises funds and provides funding for cancer research, the prevention, detection and diagnosis of cancer, and for the treatment and care of cancer patients. The Foundation has a provincial office located in Edmonton and offices at the Cross Cancer Institute in Edmonton, Tom Baker Cancer Centre and the Foothills Professional Building in Calgary.

Note 2 Summary of significant accounting policies and reporting practices

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations. The Foundation follows the restricted fund method of accounting for contributions. The following are the significant accounting policies:

(a) Fund accounting:

For financial reporting purposes, the accounts have been classified into the following funds:

(i) Unrestricted:

The Unrestricted Fund includes resources available for immediate purposes and accounts for the Foundation’s general fundraising and administrative activities.

(ii) Restricted:

The Restricted Fund includes those funds whose resources are to be used for an identified purpose as specified by the donor, by fundraising initiatives or as determined by the Board of Trustees (the “Trustees”).

(iii) Endowment:

The Endowment Fund includes those funds where either the donor or internal restrictions require that the principal investment be maintained by the Foundation on a permanent basis.

(iv) Capital Asset:

The Capital Asset Fund reports the revenues and expenditures related to the Foundation’s capital assets.

**ALBERTA CANCER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017**

Note 2 Summary of significant accounting policies and reporting practices, continued

(b) Revenue recognition:

- (i) Unrestricted contributions are recognized as revenue in the Unrestricted Fund when received or receivable.
- (ii) Externally restricted contributions are recognized as revenue in the Restricted Fund when received or receivable. Externally restricted contributions can only be used for the purposes designated by external parties. Any externally restricted contributions containing stipulations that the principal amounts not be expended are recorded as revenues in the Endowment Fund.
- (iii) Contributions for endowments are recognized as revenue in the Endowment Fund when received or receivable.
- (iv) Investment income earned on Endowment Fund resources that must be spent on restricted purposes is recognized as revenue in the Restricted Fund. Other investment income is recognized as revenue in the Unrestricted Fund when earned.
- (v) Donations and contributions in kind are recorded at fair value at the date of the contribution when such value can reasonably be determined. Volunteers contribute a significant amount of time each year to assist the Foundation in carrying out its programs and services. Because of the difficulty of determining their fair value, contributed services of volunteers are not recognized in these financial statements.
- (vi) Interfund transfers:

Fund transfers relate to internally imposed requirements approved by the Board of Trustees or changes in the designation of funds as directed by the donor. All transfers are approved by the relevant parties.

(c) Pledges:

Pledges receivable are recognized when the amount to be received can be reasonably estimated and when collection is reasonably assured.

**ALBERTA CANCER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017**

Note 2 Summary of significant accounting policies and reporting practices, continued

(d) Capital assets:

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

Leasehold improvements	over the initial lease term
Furniture and equipment	3 and 10 years

Amortization expense is reported in the Capital Asset Fund.

(e) Lease inducement:

Lease inducements are initially recorded at the amount received. Subsequent to initial recognition, the Foundation accounts for the inducement as a reduction of lease expense over the term of the lease.

(f) Financial instruments:

All financial instruments held by the Foundation are initially recognized on the statement of financial position at their fair value. Subsequent to their initial recognition, all financial instruments continue to be measured at their fair value except for accounts receivable, pledges receivable and other financial liabilities which are recorded at amortized cost using the effective interest method. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed when incurred. All other financial instruments are adjusted by transaction costs on acquisition.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized amount is adjusted through the statement of remeasurement gains and losses.

Canadian Public Sector Accounting Standards require an organization to classify fair value measurements using a hierarchy, which includes three levels of information that may be used to measure fair value:

**ALBERTA CANCER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017**

Note 2 Summary of significant accounting policies and reporting practices, continued

(f) Financial instruments, continued:

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Observable or corroborative inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(g) Foreign currency:

Foreign currency transactions are recorded at the exchange rate at the time of the transaction.

(h) Program investments:

Operating disbursements are provided annually for the funding of research, infrastructure, special equipment, psychosocial care, palliative care, and patient education and comfort. Operating and research disbursements are recognized as expenses when the funds are disbursed by the Foundation.

(i) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from those estimates. The more significant items subject to estimates in these financial statements are valuation of pledges receivable, amortization period of capital assets, valuation of investments and completeness of accrued liabilities.

(j) Employee future benefits:

The Foundation participates in the Local Authorities Pension Plan (“LAPP”). This multi-employer defined benefit pension plan provides pensions for participating employees based on years of service and earnings. Defined contribution plan accounting is applied as the Foundation has insufficient information to apply defined benefit plan accounting.

**ALBERTA CANCER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017**

Note 2 Summary of significant accounting policies and reporting practices, continued

(j) Employee future benefits, continued:

Pension costs comprise the employer's contributions for its employees during the year, based on rates expected to provide benefits payable under the applicable pension plan.

(k) Future accounting policies:

The Foundation is currently assessing the impact of new standards issued by the Public Sector Accounting Board. If applicable, the standards will be adopted in 2017.

Note 3 Cash and cash equivalents

	2017	2016
Cash	\$ 11,083,827	\$ 8,634,937
CCITF Account	2,178,085	2,159,433
	\$ 13,261,912	\$ 10,794,370

The Consolidated Cash Investment Trust Fund ("CCITF") of the Province of Alberta is a demand account managed with the objective of providing competitive interest income to depositors while maintaining security and liquidity of depositors' capital. Interest is earned on the daily cash balance and the average rate of earnings of the CCITF varies depending on prevailing market interest rates. The rate of return for the year was 0.87% (2016 – 0.83%).

**ALBERTA CANCER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017**

Note 4 Pledges receivable

Pledges receivable are comprised of the following:

2017				2016
<u>Unrestricted</u>	<u>Restricted</u>	<u>Endowments</u>	<u>Total</u>	<u>Total</u>
\$ 22,750	\$ 731,215	\$ 62,991	\$ 816,956	\$ 976,790

The Foundation has gift agreements from individual or corporate donors who have committed to donate in the future to support the specified programs. The Foundation regularly consults with donors to either receive their pledged gift or reaffirm their intent to fulfill their future commitment. The Foundation records future commitments expected within the next fiscal year as revenue once there is reasonable assurance that the donor will fulfill their commitment.

The following are future commitments made by donors which have not been recognized in the financial statements:

Clinical trials	1,065,529
Research	219,512
Enhanced care	135,179
Research studentships	61,700
Areas of greatest need	6,000
Building excellence	5,000
Patient financial assistance	2,500
	\$ 1,495,419

**ALBERTA CANCER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017**

Note 5 Investments

	2017		2016	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Cash	\$ 114,084	\$ 114,084	\$ 186,222	\$ 186,222
Accrued interest receivable	100,862	100,862	36,905	36,905
Level 1 Equity Instruments				
Canadian common shares and pooled equity funds	25,321,417	16,132,393	22,324,445	14,234,210
Pooled equity funds-US	31,346,576	19,541,449	28,735,197	19,757,472
Pooled equity funds - Global	37,156,506	27,808,594	34,347,532	26,792,309
Pooled fixed income funds	41,547,579	40,993,694	54,372,848	52,752,484
Level 2 Designated Fair Value Instruments				
Treasury bills with an average effective yield of 0.5% (2016 – 0.4%), with maturity dates in 2017 (2016 – maturity dates in 2016) and guaranteed investment certificates	1,312,226	1,312,226	3,412,741	3,412,741
Canadian federal and provincial government bonds with an average effective yield of 1.93% with maturity dates between 2023 and 2027 and debentures	6,247,198	6,231,294	-	-
Corporate debentures with an average effective yield of 2.65% with maturity dates in 2021	3,801,681	3,782,078	-	-
	<u>\$ 146,948,129</u>	<u>\$ 116,016,674</u>	<u>\$ 143,415,890</u>	<u>\$ 117,172,343</u>

The Foundation is subject to various risks (note 6). In order to earn optimal financial returns at an acceptable level of risk, the Foundation has established an asset mix policy of 30% to 60% for fixed income instruments, 0% to 10% for treasury bills and guaranteed investment certificates and 30% to 70% for equity instruments. Risk is reduced through asset class diversification, diversification within each asset class and quality constraints.

**ALBERTA CANCER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017**

Note 5 Investments, continued

Treasury bills and guaranteed investment certificates, bonds and debentures are managed with the objective of providing optimal returns while maintaining maximum security of capital. Bonds represent high quality fixed income securities. Risk is reduced by limiting investments to instruments with an overall rating of A or higher by the Dominion Bond Rating Service (or an equivalent service) with no more than 10% rated “BBB”.

Common stocks comprise equities publicly traded in the Canadian and foreign markets. Risk is reduced by limiting exposure to any one stock to 10% of the total market value of Canadian and foreign common shares in the Foundation’s portfolio.

It is anticipated that the Foundation’s revenues will be sufficient to meet the Foundation’s expenditures on an on-going basis and that the investment portfolio will continue to grow. It is intended that the proceeds of investments maturing within one year will be reinvested.

Investments are allocated to the following funds:

	2017	2016
Restricted	\$ 76,966,764	\$ 74,173,291
Endowments	69,981,365	69,242,599
	\$ 146,948,129	\$ 143,415,890

Note 6 Financial instruments

The Foundation is exposed to market risks associated with the entity’s financial instruments. Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: price risk, interest rate risk and currency risk. To manage these risks, the Foundation has established a target mix of investment types designated to achieve the optimum return with reasonable risk tolerance (note 5).

**ALBERTA CANCER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017**

Note 6 Financial instruments, continued

Price Risk:

The Foundation is exposed to price risk as the fair value of equity instruments held may be subject to change due to fluctuations in market prices. If the equity market indices declined by 1%, the fair value of the equity held would decrease by \$938,245 (2016 - \$854,072). All other variables held constant, this would result in a loss in fair value of the investments of 0.64% (2016 - 0.60%).

Interest Rate Risk:

The Foundation is exposed to interest rate risk with respect to its fixed income investments. These investments may be impacted by market changes in interest rates. A 1% change in market yield relating to fixed income securities would have increased or decreased fair value by approximately \$1,805,876 (2016 - \$1,903,050).

Currency Risk:

The risk to the Foundation that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates is not significant. The foreign denominated cash on hand is minimal. At March 31, 2017 there was no investment balances denominated in a foreign currency.

Note 7 Capital Assets

	2017		
	Cost	Accumulated amortization	Net book value
Leasehold improvements	\$ 220,509	\$ 191,703	\$ 28,806
Furniture and equipment	1,068,145	601,645	466,500
	<u>\$ 1,288,654</u>	<u>\$ 793,348</u>	<u>\$ 495,306</u>

**ALBERTA CANCER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017**

Note 7 Capital Assets, continued

	2016		
	Cost	Accumulated amortization	Net book value
Leasehold improvements	\$ 220,509	\$ 161,833	\$ 58,676
Furniture and equipment	1,068,145	518,639	549,506
	\$ 1,288,654	\$ 680,472	\$ 608,182

The administrative and fundraising expenditures include amortization of \$112,876 (2016 - \$127,805).

Note 8 Restricted Fund

The Restricted Fund consists of various funds available for spending that are restricted by donors for the purpose of cancer research, prevention and screening initiatives, as well as patient care and support, education and equipment. The Restricted Fund includes investment income earned on the endowment funds held.

	2017	2016
Restricted fund	\$ 42,427,642	\$ 39,948,074
Internally established endowments, expendable portion	4,432,746	7,021,413
Externally established endowments, expendable portion	10,638,627	9,561,378
Total restricted fund	57,499,015	56,530,865
Accumulated remeasurement gains	30,931,455	26,243,547
Total Restricted Fund balance	\$ 88,430,470	\$ 82,774,412

**ALBERTA CANCER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017**

Note 9 Endowment Fund

The Endowment Fund consists of externally restricted contributions received by the Foundation where the endowment principal is required to be maintained intact. The Endowment Fund also includes internal resources transferred by the Trustees with the intention that the principal be maintained intact. The income generated from investments held for endowment purposes must be used in accordance with the various purposes established by the donors or the Trustees and is included in the Restricted Fund.

	2017	2016
Internally established endowments, principal		
Cancer research	\$ 25,540,679	\$ 25,540,679
Building excellence	250,000	250,000
Patient financial assistance	475,000	475,000
	26,265,679	26,265,679
Externally established endowments, principal		
Cancer research	41,351,917	40,639,677
Building excellence	643,093	641,793
Patient financial assistance	1,027,841	1,027,841
Patient programs and equipment	755,826	735,401
	43,778,677	43,044,712
Total Endowment Fund balance	\$ 70,044,356	\$ 69,310,391

Changes to the Endowment Fund were derived as follows:

Balance April 1	\$ 69,310,391	\$ 68,142,263
Donations	110,216	620,170
Transfers from Restricted Fund	50,000	33,208
Realized Pledges	573,749	514,750
	733,965	1,168,128
Current year changes		
Balance March 31	\$ 70,044,356	\$ 69,310,391

**ALBERTA CANCER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017**

Note 10 Lottery

During the year ended March 31, 2017, the Foundation held the Cash and Cars Lottery and the You Win 50 Lottery. The financial results of the lotteries are as follows:

	Cash and Cars 2017	You Win 50 2017	Total 2017	Total 2016
Total revenues	\$ 6,840,818	1,432,034	\$ 8,272,852	\$ 8,870,902
Expenditures				
Prizes	3,598,254	715,000	4,313,254	4,755,886
Marketing and other	2,496,433	356,447	2,852,880	2,957,534
Total expenditures	6,094,687	1,071,447	7,166,134	7,713,420
Excess revenues over expenditures	<u>\$ 746,131</u>	<u>\$ 360,587</u>	<u>\$ 1,106,718</u>	<u>\$ 1,157,482</u>

Note 11 Related party transactions

As the Foundation operates under the authority of the Regional Health Authorities Act, Section 23(1)(n) and the Alberta Cancer Foundation Regulation 70/2009, it is included within the Province of Alberta's government reporting entity.

Transactions with related parties represent operating and research disbursements and are recorded at their exchange amounts as follows:

**ALBERTA CANCER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017**

Note 11 Related party transactions, continued

<u>Program Investments provided to Related Parties</u>	<u>2017</u>	<u>2016</u>
AHS (Cancer Control)	\$ 5,253,017	\$ 8,865,333
University of Alberta	4,806,980	4,196,374
University of Calgary	2,191,775	3,823,842
University of Lethbridge	-	27,000
Total program investments provided to related parties	<u>\$ 12,251,772</u>	<u>\$ 16,912,549</u>

<u>Unspent Program Investments Returned by Related Parties</u>	<u>2017</u>	<u>2016</u>
AHS (Cancer Control)	\$ 364,721	\$ 746,656
University of Calgary	142,207	762,748
University of Lethbridge	9,000	-
University of Alberta	7,791	20,063
Total unspent program investments returned by related parties	<u>523,719</u>	<u>1,529,467</u>

These funds were disbursed as directed by the Foundation in accordance with donor designation or, where the disbursements were made from unrestricted funds, as directed by the Trustees.

<u>Grants from Related Parties</u>	<u>2017</u>	<u>2016</u>
University of Alberta Graduate Student Internship Program	\$ 8,000	\$ -
Alberta Innovates Health Solutions	-	5,000
Total grants from related parties	<u>8,000</u>	<u>5,000</u>

These grants were used in accordance with the terms of the agreements.

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Note 12 Investment and other income

Investment and other income earned by the Foundation consists of the following:

	2017	2016
Interest and dividends	\$ 4,449,342	\$ 6,027,837
Realized gains, reclassified to the statement of operations	3,311,638	4,552,392
Realized losses during the year	(28,446)	(60,279)
Other income	5,390	10,087
	\$ 7,737,924	\$ 10,530,037

Note 13 Program investments during the year

	2017	2016
Research	\$ 11,138,440	\$ 15,215,331
Prevention	67,830	396,627
Enhanced Care	4,205,031	4,369,458
	\$ 15,411,301	\$ 19,981,416

Note 14 Local Authorities Pension Plan (“LAPP”)

The Foundation participates in the LAPP, which is a multi-employer defined benefit plan. Pension expense in these financial statements is equal to the Foundation’s annual contributions payable of \$588,869 (2016 - \$606,072). At December 31, 2016, the LAPP reported a deficiency of \$637,357,000 (2015 - \$923,416,000).

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Note 15 Commitments

Future minimum lease payments under operating leases relating to office space are as follows:

2018	\$ 345,259
2019	324,987
2020	332,909
2021	338,860
2022 and thereafter	507,945

The Foundation is also responsible for its portion of operating costs related to office space.