

ALBERTA CANCER FOUNDATION

FINANCIAL STATEMENTS

MARCH 31, 2018

Statement of Financial Position	1
Statement of Operations.....	2
Statement of Changes in Fund Balances.....	3
Statement of Remeasurement Gains and Losses	4
Statement of Cash Flows	5
Notes to Financial Statements.....	6



KPMG LLP
2200, 10175 - 101 Street
Edmonton AB T5J 0H3
Canada
Telephone (780) 429-7300
Fax (780) 429-7379

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, 2018, 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, 2018, 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.

Chartered Professional Accountants

June 14, 2018
Edmonton, Canada

ALBERTA CANCER FOUNDATION
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2018

	2018	2017
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents (note 4)	\$ 8,484,386	\$ 13,261,912
Accounts receivable and prepaid expenses	1,157,327	1,186,967
Interest in Joint Venture (note 5)	137,811	-
Pledges receivable (note 6)	154,504	816,956
	9,934,028	15,265,835
Investments (note 7)	167,888,517	146,948,129
Capital assets (note 9)	409,503	495,306
Other assets	63,358	63,358
Total Assets	\$ 178,295,406	\$ 162,772,628
<u>LIABILITIES AND FUND BALANCES</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 736,556	\$ 686,064
Deferred revenues	-	32,640
Due to Alberta Health Services	836,229	722,838
	1,572,785	1,441,542
Fund balances:		
Unrestricted Fund	3,187,425	2,360,954
Restricted Fund (note 10)	69,623,062	57,499,015
Endowment Fund (note 11)	70,280,012	70,044,356
Capital Asset Fund	409,503	495,306
Total Fund balances	143,500,002	130,399,631
Accumulated remeasurement gains	33,222,619	30,931,455
	176,722,621	161,331,086
Total Liabilities and Fund Balances	\$ 178,295,406	\$ 162,772,628
Commitments (note 16)		

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

Leigh Anne Palter
Chair, Audit & Finance Committee

ALBERTA CANCER FOUNDATION
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2018

	2018				2017	
	<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	\$ 4,465,479	\$ 20,409,643	\$ 222,673	\$ -	\$ 25,097,795	\$ 15,330,881
Challenge events	-	7,905,478	-	-	7,905,478	7,456,719
Lottery (note 12)	8,865,227	-	-	-	8,865,227	8,272,852
Grants	8,290	72,965	-	-	81,255	17,638
Returned program investments	-	275,428	-	-	275,428	523,719
Investment and other income (note 14)	4,339,087	5,525,898	-	-	9,864,985	7,737,924
Total revenues	<u>17,678,083</u>	<u>34,189,412</u>	<u>222,673</u>	<u>-</u>	<u>52,090,168</u>	<u>39,339,733</u>
Program investments and expenditures						
Program investments (note 15)	2,449,146	14,933,488	-	-	17,382,634	15,411,301
Direct fundraising and event management	2,346,103	4,757,389	-	-	7,103,492	6,917,680
Lottery (note 12)	6,867,154	-	-	-	6,867,154	7,166,133
Administrative and fundraising	7,550,714	-	-	85,803	7,636,517	7,634,959
Total program investments and expenditures	<u>19,213,117</u>	<u>19,690,877</u>	<u>-</u>	<u>85,803</u>	<u>38,989,797</u>	<u>37,130,073</u>
Excess (deficiency) of revenues over program investments and expenditures	<u>\$ (1,535,034)</u>	<u>\$ 14,498,535</u>	<u>\$ 222,673</u>	<u>\$ (85,803)</u>	<u>\$ 13,100,371</u>	<u>\$ 2,209,660</u>

The accompanying notes are part of these financial statements.

ALBERTA CANCER FOUNDATION
STATEMENT OF CHANGES IN FUND BALANCES
MARCH 31, 2018

	2018				
	<u>Unrestricted</u>	<u>Restricted Fund</u>	<u>Endowment Fund</u>	<u>Capital Asset</u>	<u>Total</u>
	<u>Fund</u>			<u>Fund</u>	
Fund balances, beginning of year	\$ 2,360,954	57,499,015	\$ 70,044,356	\$ 495,306	\$ 130,399,631
Excess (deficiency) of revenues over program investments and expenditures	(1,535,034)	14,498,535	222,673	(85,803)	13,100,371
Interfund transfers					
Transfers	2,361,505	(2,374,488)	12,983	-	-
Fund balances, end of year	<u>\$ 3,187,425</u>	<u>\$ 69,623,062</u>	<u>\$ 70,280,012</u>	<u>\$ 409,503</u>	<u>\$ 143,500,002</u>

	2017				
	<u>Unrestricted</u>	<u>Restricted Fund</u>	<u>Endowment Fund</u>	<u>Capital Asset</u>	<u>Total</u>
	<u>Fund</u>			<u>Fund</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>

ALBERTA CANCER FOUNDATION
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
YEAR ENDED MARCH 31, 2018

	2018				2017	
	<u>Unrestricted Fund</u>	<u>Restricted Fund</u>	<u>Endowment Fund</u>	<u>Capital Asset Fund</u>	<u>Total</u>	<u>Total</u>
Accumulated remeasurement gains, beginning of year	\$ -	\$ 30,931,455	\$ -	\$ -	\$ 30,931,455	\$ 26,243,547
Unrealized gains attributable to:						
Equity instruments traded in an active market	-	6,984,184	-	-	6,984,184	8,536,183
Designated fair value instruments	-	(568,677)	-	-	(568,677)	(536,637)
Realized gains, reclassified to the statement of operations						
Equity instruments	-	(4,081,591)	-	-	(4,081,591)	(2,817,303)
Designated fair value instruments	-	(42,752)	-	-	(42,752)	(494,335)
Change in net remeasurement gains for the year	-	2,291,164	-	-	2,291,164	4,687,908
Accumulated remeasurement gains, end of year	<u>\$ -</u>	<u>\$ 33,222,619</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,222,619</u>	<u>\$ 30,931,455</u>

**ALBERTA CANCER FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2018**

	2018	2017
Cash generated from (used by):		
Operating activities:		
Excess of revenues over program investments and expenditures	\$ 13,100,371	\$ 2,209,660
Items not involving cash:		
Realized gains on disposal of investments, net	(3,665,277)	(3,283,192)
Donated shares	(8,936,112)	(1,255,039)
Amortization of capital assets	85,803	112,876
Amortization of lease inducement	-	(2,748)
Joint venture excess of revenues over expenses	(123,435)	-
Change in non-cash operating working capital accounts:		
Accounts receivable and prepaid expenses	29,640	(29,126)
Pledges receivable	662,452	159,834
Accounts payable and accrued liabilities	50,492	(262,011)
Deferred revenues	(32,640)	(6,781)
Due to Alberta Health Services	113,391	(869,831)
Cash (used by) generated from operating activities	1,284,685	(3,226,358)
Investing and financing activities:		
Advances to joint venture	(14,376)	-
Purchase of investments	(44,288,414)	(42,270,253)
Proceeds on sale of investments	38,240,579	47,964,153
Cash (used by) generated from investing and financing activities	(6,062,211)	5,693,900
(Decrease) Increase in cash and cash equivalents	(4,777,526)	2,467,542
Cash and cash equivalents, beginning of year	13,261,912	10,794,370
Cash and cash equivalents, end of year	\$ 8,484,386	\$ 13,261,912

The accompanying notes are part of these financial statements.

**ALBERTA CANCER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

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 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.

(a) Fund accounting:

The Foundation follows the restricted fund method of accounting for contributions. For financial reporting purposes, the accounts have been classified into the following funds:

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

(ii) 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) 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) 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, 2018**

Note 2 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 towards 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, 2018**

Note 2 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) Interest in Joint Venture:

The Foundation uses the equity method to record its interest in the Hair Massacure joint venture. The value of the Foundation's investment is adjusted annually to reflect its proportionate share of excess revenues over expenditures less distributions received.

(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, 2018**

Note 2 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 year. 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, 2018**

Note 2 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.

Note 3 Change in accounting policy

On April 1, 2017, the Foundation adopted Public Sector Accounting Standards PS 2200 – Related Party Disclosures and PS 3420 – Inter-entity Transactions. The standards were adopted prospectively from April 1, 2017. PS 2200 provides guidance for public sector entities to define a related party, identify related parties within the organization, establishes criteria to determine when related party transactions require disclosure and set out disclosure requirements. PS 3420 – Inter-entity Transactions establishes standards on how to account for and report transactions between public sector entities.

PS 2200 and PS 3420 have been incorporated in the 2018 financial statements as the Foundation has been recording and disclosing related party transactions consistent with the new standards (note 13).

Inter-entity transactions are undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length. Transactions are recorded at exchange amounts. All unallocated costs, compromising materials and services contributed by related parties in support of the Foundation's operations are not recognized in the financial statements.

Note 4 Cash and cash equivalents

	2018	2017
Cash	\$ 8,484,386	\$ 11,083,827
CCITF Account	-	2,178,085
	\$ 8,484,386	\$ 13,261,912

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

**ALBERTA CANCER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

Note 4 Cash and cash equivalents, continued

prevailing market interest rates. The rate of return for the year was 1.0% (2017 – 0.87%). At March 31, 2018 the account is closed.

Note 5 Interest in joint venture

The Foundation has an agreement with the Children’s Wish Foundation of Canada (CWF) to jointly organize and administer the Hair Massacure event. As joint licencors of the event, the venturers promote the event and sell associated merchandise. The Foundation’s interest in the joint venture includes:

As at March 31	2018	2017
Current Assets	\$ 315,386	-
Current Liabilities	41,086	-
	274,300	-
Net Assets		
Foundation's share of net assets	137,811	-
	2018	2017
Year ended March 31		
Revenues	\$ 311,753	-
Expenditures	37,453	-
	274,300	-
Excess of revenues over expenditures		
Foundation's share of excess revenue over expenditures	137,150	-
	13,715	-
Less administration fee		
Foundation's net share of excess revenue over expenditures	123,435	-

The Foundation’s share of excess revenues over expenditures is recorded in fundraising revenue in the statement of operations.

**ALBERTA CANCER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

Note 6 Pledges receivable

Pledges receivable are comprised of the following:

2018				2017
<u>Unrestricted</u>	<u>Restricted</u>	<u>Endowments</u>	<u>Total</u>	<u>Total</u>
\$ -	\$ 102,004	\$ 52,500	\$ 154,504	\$ 816,956

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:

Research	164,483
Enhanced care	154,250
	\$ 318,733

**ALBERTA CANCER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

Note 7 Investments

	2018		2017	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Cash	\$ 162,815	\$ 162,815	\$ 114,084	\$ 114,084
Accrued interest receivable	57,366	57,366	100,862	100,862
Level 1 Equity Instruments				
Canadian common shares	24,349,749	17,358,935	20,407,833	12,955,206
Pooled equity funds - Canadian	5,677,173	4,091,114	4,913,584	3,177,187
Pooled equity funds-US	30,504,945	17,198,477	31,346,576	19,541,449
Pooled equity funds - Global	41,968,113	30,606,797	37,156,506	27,808,594
Level 2 Designated Fair Value Instruments				
Pooled fixed income funds	55,714,283	55,736,634	38,276,395	37,722,546
Money Market Fund	3,593,670	3,593,357	3,271,184	3,271,148
Treasury bills with an average effective yield of 1.2% (2017 - 0.5% with maturity dates in 2018 (2017 - maturity dates in 2017))	5,860,403	5,860,403	1,312,226	1,312,226
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>\$ 167,888,517</u>	<u>\$ 134,665,898</u>	<u>\$ 146,948,129</u>	<u>\$ 116,016,674</u>

The Foundation is subject to various risks (note 8). 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 30% to 70% for equity instruments. Risk is reduced through asset class diversification, further diversification within each asset class and quality constraints.

**ALBERTA CANCER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

Note 7 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 AA or higher by the Dominion Bond Rating Service (or an equivalent service) with no more than 20% in foreign bonds and no more than 5% in mortgages.

Common stocks comprise equities publicly traded in the Canadian and foreign markets. Risk is reduced by limiting exposure of 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:

	2018	2017
Restricted	\$ 97,661,005	\$ 76,966,764
Endowments	70,227,512	69,981,365
	\$ 167,888,517	\$ 146,948,129

Note 8 Financial risk management

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 7).

**ALBERTA CANCER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

Note 8 Financial risk management, 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 \$1,025,000 (2017 - \$938,245). All other variables held constant, this would result in a loss in fair value of the investments of 0.61% (2017 - 0.64%).

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 interest rates would have the following impact on market values:

	2018	2017	
Increase in interest rate	\$ (3,823,497)	\$ (2,791,734)	
Decrease in interest rate	4,399,282	2,798,489	

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, 2018 there were no investment balances denominated in a foreign currency.

Note 9 Capital Assets

	2018		
	Cost	Accumulated amortization	Net book value
Leasehold improvements	\$ 220,509	\$ 217,223	\$ 3,286
Furniture and equipment	1,068,145	661,928	406,217
	\$ 1,288,654	\$ 879,151	\$ 409,503

**ALBERTA CANCER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

Note 9 Capital Assets, continued

	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
	\$ 1,288,654	\$ 793,348	\$ 495,306

The administrative and fundraising expenditures include amortization of \$85,803 (2017 - \$112,876).

Note 10 Restricted Fund

The Restricted Fund consists of various funds available for spending that are restricted by donors or by Board of Trustees direction. The purpose of these funds are for 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.

	2018	2017
Restricted fund	\$ 53,691,871	\$ 42,427,642
Internally established endowments, expendable portion	3,414,379	4,432,746
Externally established endowments, expendable portion	12,516,812	10,638,627
Total restricted fund	69,623,062	57,499,015
Accumulated remeasurement gains	33,222,619	30,931,455
Total Restricted Fund balance	\$ 102,845,681	\$ 88,430,470

**ALBERTA CANCER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

Note 11 Endowment Fund

The Endowment Fund consists of externally restricted contributions received by the Foundation where the endowment principal is required to be maintained permanently. 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.

	2018	2017
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	41,567,123	41,351,917
Building excellence	643,343	643,093
Patient financial assistance	1,027,841	1,027,841
Patient programs and equipment	776,026	755,826
	44,014,333	43,778,677
Total Endowment Fund balance	\$ 70,280,012	\$ 70,044,356

Changes to the Endowment Fund were derived as follows:

Balance April 1	\$ 70,044,356	\$ 69,310,391
Donations	144,923	110,216
Transfers from Restricted Fund	12,983	50,000
Realized Pledges	77,750	573,749
Current year changes	235,656	733,965
Balance March 31	\$ 70,280,012	\$ 70,044,356

**ALBERTA CANCER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

Note 12 Lottery

During the year ended March 31, 2018, 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 2018	You Win 50 2018	Total 2018	Total 2017
Total revenues	\$ 7,401,540	1,463,687	\$ 8,865,227	\$ 8,272,852
Expenditures				
Prizes	3,450,181	730,000	4,180,181	4,313,254
Marketing and other	2,330,719	356,254	2,686,973	2,852,880
Total expenditures	5,780,900	1,086,254	6,867,154	7,166,134
Excess revenues over expenditures	\$ 1,620,640	\$ 377,433	\$ 1,998,073	\$ 1,106,718

Note 13 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 party entities disclosed represent operating and program disbursements which are undertaken on similar terms and conditions to those adopted if the entities were at arm's length. These transactions are recorded at their exchange amount. Unallocated costs include materials and services contributed by AHS in support of the Foundation's operations. These costs are not recognized in the financial statements.

**ALBERTA CANCER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

Note 13 Related party transactions, continued

<u>Program Investments provided to Related Parties</u>	<u>2018</u>	<u>2017</u>
University of Alberta	\$ 6,311,224	\$ 4,806,980
AHS (Cancer Control)	6,309,887	5,253,017
University of Calgary	1,653,338	2,191,775
University of Athabasca	10,000	-
Total program investments provided to related parties	<u>\$ 14,284,449</u>	<u>\$ 12,251,772</u>
<u>Unspent Program Investments Returned by Related Parties</u>	<u>2018</u>	<u>2017</u>
AHS (Cancer Control)	\$ 197,324	\$ 364,721
University of Alberta	67,354	7,791
University of Calgary	10,750	142,207
University of Lethbridge	-	9,000
Total unspent program investments returned by related parties	<u>275,428</u>	<u>523,719</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>2018</u>	<u>2017</u>
University of Alberta Graduate Student Internship Program	\$ -	\$ 8,000
Alberta Culture and Tourism	72,965	-
Total grants from related parties	<u>72,965</u>	<u>8,000</u>

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

Related parties also include key management personnel (KMP) of the Foundation. KMP includes individuals who are part of the governing body with authority over planning, directing and controlling the activities of the Foundation. In addition, KMP include employees with day-to-day responsibility over activities and operations. Key

**ALBERTA CANCER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

Note 13 Related party transactions, continued

management personnel of the Foundation include members of the Board of Trustees and the senior management team. Related party transactions with key management personnel consist of compensation related payments to employees. These are considered to be routine employment transactions.

Note 14 Investment and other income

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

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 6,190,930	\$ 4,449,342
Realized gains, reclassified to the statement of operations	4,124,343	3,311,638
Realized losses during the year	(459,066)	(28,446)
Other income	8,778	5,390
	<u>\$ 9,864,985</u>	<u>\$ 7,737,924</u>

Note 15 Program investments during the year

	<u>2018</u>	<u>2017</u>
Research	\$ 13,236,167	\$ 11,138,440
Prevention	334,569	67,830
Enhanced Care	3,811,898	4,205,031
	<u>\$ 17,382,634</u>	<u>\$ 15,411,301</u>

Note 16 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 \$ 522,416 (2017 - \$588,869). At December 31, 2017, the LAPP reported a surplus of \$4,835,515 (2016 – deficiency \$637,357).

**ALBERTA CANCER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

Note 17 Commitments

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

2019	\$324,987
2020	332,909
2021	338,860
2022	345,088
2023 and thereafter	162,857

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