

Financial Statements of

CANCERCARE MANITOBA

Year ended March 31, 2016



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INDEPENDENT AUDITORS' REPORT

To the Members of CancerCare Manitoba

We have audited the accompanying financial statements of CancerCare Manitoba, which comprise the statement of financial position as at March 31, 2016, the statements of operations and 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 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 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 CancerCare Manitoba as at March 31, 2016, its results of operations, its 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 16, 2016
Winnipeg, Canada

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CANCERCARE MANITOBA

Statement of Financial Position

As at March 31, 2016, with comparative information for 2015

	General Fund	Capital Fund	Clinical, Basic Research and Special Projects Fund	2016 Total	2015 Total
(Restated, note 3)					
Assets					
Current assets					
Cash	\$ 1,319,406	\$ -	\$ 12,683	\$ 1,332,089	\$ 8,684,038
Short-term investments (schedule 1)	5,049,806	-	654,938	5,704,744	4,310,286
Due from Manitoba Health [note 5(b)]	4,072,623	-	-	4,072,623	3,433,542
Accounts receivable (note 6)	3,829,680	-	10,621,601	14,451,281	10,529,203
Inter-fund accounts	1,990,874	891,441	(2,882,315)	-	-
Inventory	4,540,342	-	-	4,540,342	5,650,387
Prepaid expenses	1,113,476	-	-	1,113,476	478,226
Vacation entitlements receivable [note 15(c)]	1,730,141	-	-	1,730,141	1,730,141
	<u>23,646,348</u>	<u>891,441</u>	<u>8,406,907</u>	<u>32,944,696</u>	<u>34,815,823</u>
Restricted cash (note 4)	1,432,357	-	-	1,432,357	1,418,290
Retirement entitlement obligation receivable (note 7)	1,419,400	-	-	1,419,400	1,419,400
Investments (schedule 2)	18,720,518	-	3,416,670	22,137,188	23,245,162
Capital assets (note 8)	-	50,269,333	1,661,067	51,930,400	52,437,147
	<u>\$ 45,218,623</u>	<u>\$ 51,160,774</u>	<u>\$ 13,484,644</u>	<u>\$ 109,864,041</u>	<u>\$ 113,335,822</u>

Liabilities, Deferred Contributions and Fund Balances

Current liabilities					
Accounts payable and accrued liabilities	\$ 19,256,412	\$ -	\$ 236,273	\$ 19,492,685	\$ 15,254,550
Due to Manitoba Health [note 5(b)]	6,234,416	-	-	6,234,416	13,854,650
Deferred contributions - expenses of future periods [note 9(a)]	2,420,529	-	-	2,420,529	2,224,374
	<u>27,911,357</u>	<u>-</u>	<u>236,273</u>	<u>28,147,630</u>	<u>31,333,574</u>
Deferred contributions - capital assets [note 9(b)]					
Employee future benefits (notes 7 and 15)	8,549,000	51,000,325	494,656	51,494,981	54,392,389
	<u>36,460,357</u>	<u>51,000,325</u>	<u>730,929</u>	<u>88,191,611</u>	<u>93,729,963</u>
Fund balances					
Invested in capital assets (note 10)	-	160,449	1,166,411	1,326,860	731,736
Externally restricted (note 11)	-	-	10,718,173	10,718,173	9,302,804
Internally restricted	6,659,384	-	997,967	7,657,351	8,668,002
Unrestricted	1,914,941	-	-	1,914,941	697,590
	<u>8,574,325</u>	<u>160,449</u>	<u>12,882,551</u>	<u>21,617,325</u>	<u>19,400,132</u>
Accumulated remeasurement gains (losses)	183,941	-	(128,836)	55,105	205,727
	<u>8,758,266</u>	<u>160,449</u>	<u>12,753,715</u>	<u>21,672,430</u>	<u>19,605,859</u>
Commitments (note 12)					
Contingencies (note 13)					
	<u>\$ 45,218,623</u>	<u>\$ 51,160,774</u>	<u>\$ 13,484,644</u>	<u>\$ 109,864,041</u>	<u>\$ 113,335,822</u>

See accompanying notes to financial statements.

Approved by the Members:

 Member

 Member

CANCERCARE MANITOBA

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2016, with comparative information for 2015

	General Fund	Capital Fund	Clinical, Basic Research and Special Projects Fund	2016 Total	2015 Total
					(Restated, note 3)
Revenue					
Manitoba Health (note 14)	\$ 136,912,363	\$ –	\$ –	\$ 136,912,363	\$ 132,318,089
Other recoveries	1,949,545	–	–	1,949,545	2,089,080
Grants	–	–	16,149,507	16,149,507	14,522,655
Amortization of deferred contributions (note 9)	678,490	4,152,633	247,329	5,078,452	5,523,068
	139,540,398	4,152,633	16,396,836	160,089,867	154,452,892
Expenses					
Compensation	56,247,855	–	9,222,195	65,470,050	60,699,626
Medical remuneration	17,097,640	–	–	17,097,640	17,211,789
Building occupancy	2,518,318	–	228,208	2,746,526	3,222,267
Amortization of capital assets	–	4,152,633	446,944	4,599,577	5,366,795
General administration	2,973,312	–	1,544,659	4,517,971	4,271,680
Equipment rentals and maintenance	2,916,662	–	38,905	2,955,567	3,154,271
Supplies and other departmental expenses	4,408,945	–	2,694,084	7,103,029	8,463,998
Drugs					
Provincial oncology drug program	46,464,430	–	102	46,464,532	44,776,952
Neupogen	2,944,278	–	–	2,944,278	3,416,030
Other	41,552	–	–	41,552	1,035,396
Referred-out services	4,421,616	–	241,566	4,663,182	3,302,619
	140,034,608	4,152,633	14,416,663	158,603,904	154,921,423
Excess (deficiency) of revenue over expenses before the undernoted	(494,210)	–	1,980,173	1,485,963	(468,531)
Investment income	617,724	–	113,506	731,230	748,509
Excess of revenue over expenses (note 3)	123,514	–	2,093,679	2,217,193	279,978
Fund balances, beginning of year (note 3)	8,450,811	160,449	10,788,872	19,400,132	19,120,154
Fund balances, end of year	\$ 8,574,325	\$ 160,449	\$ 12,882,551	\$ 21,617,325	\$ 19,400,132

See accompanying notes to financial statements.

CANCERCARE MANITOBA

Statement of Remeasurement Gains and Losses

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Accumulated remeasurement gains (losses), beginning of year	\$ 205,727	\$ (79,750)
Unrealized gains (losses) attributable to investments	(305,069)	302,709
Realized losses, reclassified to statement of operations and changes in fund balances, attributable to investments	(21,142)	(66,498)
Unrealized foreign exchange gains on foreign currency balances	175,589	49,266
Net remeasurement gains (losses) for the year	(150,622)	285,477
Accumulated remeasurement gains, end of year	\$ 55,105	\$ 205,727

See accompanying notes to financial statements.

CANCERCARE MANITOBA

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	General Fund	Capital Fund	Clinical, Basic Research and Special Projects Fund	2016 Total	2015 Total
(Restated, note 3)					
Cash provided by (used in):					
Operating activities					
Excess of revenue over expenses	\$ 123,514	\$ –	\$ 2,093,679	\$ 2,217,193	\$ 279,978
Amortization of capital assets	–	4,152,633	446,944	4,599,577	5,366,795
Amortization of deferred contributions related to capital assets	–	(4,152,633)	(247,329)	(4,399,962)	(5,205,963)
Amortization of deferred contributions related to expenses of future periods	(678,490)	–	–	(678,490)	(317,105)
Unrealized (gain) loss on investments	256,362	–	48,707	305,069	(302,709)
Realized loss on investments	3,985	–	17,157	21,142	66,498
Unrealized gain on foreign exchange	175,589	–	–	175,589	49,266
Change in non-cash operating working capital (note 17)	(3,914,569)	–	(3,553,894)	(7,468,463)	2,600,460
Increase in employee future benefits	545,000	–	–	545,000	234,000
	(3,488,609)	–	(1,194,736)	(4,683,345)	2,771,220
Capital activities					
Additions to capital assets	–	(3,298,091)	(794,739)	(4,092,830)	(793,530)
Deferred contributions related to capital assets	–	1,307,491	–	1,307,491	1,358,190
Transfer to deferred contributions related to capital assets	(195,063)	195,063	–	–	–
	(195,063)	(1,795,537)	(794,739)	(2,785,339)	564,660
Investing activities					
Inter-fund accounts	(3,974,719)	1,795,537	2,179,182	–	–
Purchase of investments	(687,935)	–	(1,339,760)	(2,027,695)	(17,534,540)
Proceeds on disposal of investments	200,000	–	1,215,000	1,415,000	12,408,493
Change in investment classification	1,536,308	–	(468,061)	1,068,247	(6,153,805)
	(2,926,346)	1,795,537	1,586,361	455,552	(11,279,852)
Financing activities					
Decrease (increase) in restricted cash	(14,067)	–	–	(14,067)	6,562,913
Deferred contributions related to expenses of future periods	1,069,708	–	–	1,069,708	107,000
	1,055,641	–	–	1,055,641	6,669,913
Decrease in cash and short-term investments	(5,554,377)	–	(403,114)	(5,957,491)	(1,274,059)
Cash and short-term investments, beginning of year	11,923,589	–	1,070,735	12,994,324	14,268,383
Cash and short-term investments, end of year	\$ 6,369,212	\$ –	\$ 667,621	\$ 7,036,833	\$ 12,994,324
Cash and short-term investments are comprised of:					
Cash	\$ 1,319,406	\$ –	\$ 12,683	\$ 1,332,089	\$ 8,684,038
Short-term investments	5,049,806	–	654,938	5,704,744	4,310,286
	\$ 6,369,212	\$ –	\$ 667,621	\$ 7,036,833	\$ 12,994,324

See accompanying notes to financial statements.

CANCERCARE MANITOBA

Notes to Financial Statements

Year ended March 31, 2016

1. Purpose of the Organization

CancerCare Manitoba (the "Organization") is an agency established under the *CancerCare Manitoba Act*. The Organization maintains and co-ordinates a province-wide program for cancer prevention, diagnosis, treatment, education and research.

The Organization is a registered charity under the *Income Tax Act* and, accordingly, is exempt from income taxes provided certain requirements of the *Income Tax Act* are met.

2. Significant accounting policies

(a) Basis of presentation

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the PS 4200 standards for government not-for-profit organizations.

The Organization follows the deferral method of accounting for contributions.

(b) Fund accounting

The General Fund accounts for the Organization's revenue and expenses related to program delivery and administrative activities.

The Capital Fund reports the assets, liabilities, revenue and expenses related to the Organization's building expansion, renovations and equipment acquisitions.

The Clinical, Basic Research and Special Projects Fund reports grants received for specific clinical and basic research projects, as well as other revenue and expenses related thereto, undertaken by the Organization. Externally restricted funds are held for research projects, education purposes and other specific purposes. Internally restricted funds represent funds that the Organization has designated for specific purposes based on contractual grant agreements.

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2016

2. Significant accounting policies (continued)

(c) Revenue recognition

Restricted contributions are recognized as revenue in the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue in the appropriate fund when received if the amount to be received can be estimated and collection is reasonably assured.

Restricted and unrestricted investment income is recognized as revenue of the appropriate fund in the year in which the income was earned. Investment income includes interest income and realized gains (losses) on investments.

Grant revenue is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(d) Financial instruments

Derivative instruments and equity instruments that are quoted in an active market are reported, on initial recognition and subsequently, at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. 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 and changes in fund balances.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest method.

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 changes in fund balances and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2016

2. Significant accounting policies (continued)

(d) Financial instruments (continued)

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations and changes in fund balances.

Canadian public sector accounting standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated 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.

The Organization's investments are classified as level 2. There were no transfers between level 1 and level 2 for the years ended March 31, 2016 and 2015, and there were no transfers in or out of level 3.

(e) Capital assets

Purchased capital assets are recorded at cost. Incremental interest incurred during the construction of capital assets is included in cost. Contributed capital assets are recorded at fair value at the date of contribution. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value.

Amortization is recorded on a straight-line basis over the assets' estimated useful lives, which for equipment is 3 to 20 years. Amortization of the building is recorded on a straight-line basis over 40 years.

(f) Contributed services

A number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2016

2. Significant accounting policies (continued)

(g) Employee future benefits

Retirement entitlement obligations are accrued as earned based on an actuarial estimation and vacation entitlement benefits are accrued as employees earn the benefits. Due to the nature of the benefits, the retirement entitlement obligation receivable and payable are classified as long-term whereas the vacation entitlements receivable and payable are classified as current.

The Organization provides accumulating sick leave benefits to certain employee groups, which accumulate with employee service. The sick leave liability is calculated on an annual basis using an actuarial estimate. The estimation of the sick leave liability has been performed using the projected benefit method pro-rated on service. The determination of the sick leave liability requires the projection of sick leave credit balances to retirement, reflecting the rate at which each employee earns credits and the rate at which these credits will be used.

The Organization measures the retirement entitlement obligations and accumulated sick leave entitlement using the most recently completed actuarial valuations. In years between valuations, the Organization utilizes extrapolations prepared by the actuary to estimate the employee future benefit obligations. The most recent actuarial valuations for retirement entitlement obligations and accumulated sick leave entitlement were as of December 31, 2014, and the next required valuations will be as of December 31, 2017.

(h) Deferred contributions

Debt owing to the external lenders is reflected as deferred contributions in the statement of financial position. The related revenue received from Manitoba Health, to offset the interest expense, are both excluded from the statement of operations and changes in fund balances.

(i) Inventory

Inventory is valued at the lower of cost on a first-in, first-out basis, and replacement cost.

(j) Use of estimates

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 revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets and obligations related to employee future benefits. Actual results could differ from management's best estimates as additional information becomes available in the future.

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2016

3. Change in accounting policy

Effective April 1, 2015, the Organization changed its accounting policy with respect to inventory whereby the Organization began recognizing inventory on hand in the statement of financial position. The previous policy was to expense all inventory purchases on acquisition. Management believes that the new policy results in a more transparent treatment of inventory.

Fund balances:

The following table summarizes the impact of the change in accounting policy on the Organization's fund balances as of April 1, 2014:

Fund balances:	
As previously reported, March 31, 2014	\$ 13,980,659
Adjustment to recognize inventory on hand	5,139,495
<hr/>	
Restated, April 1, 2014	<hr/> \$ 19,120,154

Statement of Operations:

As a result of the above noted change in accounting policy, the Organization recorded the following adjustment to deficiency of revenue over expenses for the year ended March 31, 2015:

Deficiency of revenue over expenses:	
As previously reported for the year ended March 31, 2015	\$ (230,914)
Decrease in drugs and supplies and other departmental expenses for recognition of inventory on hand	510,892
<hr/>	
Restated for the year ended March 31, 2015	<hr/> \$ 279,978

4. Restricted cash

As at March 31, 2016, the Organization has restricted cash of \$1,432,357 (2015 - \$1,418,290) for future payment of retirement entitlement obligations.

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2016

5. Manitoba Health funding

(a) In-globe funding

In-globe funding is funding provided by Manitoba Health for the Organization's operations unless otherwise specified as out-of-globe funding. All costs must be absorbed from within the global funding provided.

The portion of an operating surplus that exceeds 2 percent of the in-globe funding is recorded in the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the surplus may be retained by the Organization, or repaid to Manitoba Health.

Under Manitoba Health policy, the Organization is responsible for in-globe deficits, unless otherwise approved by Manitoba Health.

(b) Out-of-globe funding

Out-of-globe funding is funding provided by Manitoba Health for specific programs such as medical remuneration, provincial oncology drug program approved drug costs, and capital and interest costs.

Any operating surplus related to out-of-globe funding arrangements is recorded in the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Organization or repaid to Manitoba Health.

Conversely, any operating deficit related to out-of-globe funding arrangements is recorded in the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Organization. Any unapproved costs not paid by Manitoba Health are absorbed by the Organization.

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2016

5. Manitoba Health funding (continued)

(b) Out-of-globe funding (continued)

At March 31, 2016, the Organization had a balance of \$6,234,416 (2015 - \$13,854,650) payable to Manitoba Health as follows:

	2016	2015
Medical remuneration	\$ 5,495,583	\$ 10,567,056
Other	448,915	448,915
Provincial Oncology Drug Program	289,918	2,759,278
Capital interest	-	79,401
	\$ 6,234,416	\$ 13,854,650

At March 31, 2016 the Organization had a balance of \$4,072,623 (2015 - \$3,433,542) receivable from Manitoba Health as follows:

	2016	2015
Employee salary and benefits	\$ 2,575,461	\$ 827,312
Neupogen drug program	884,301	857,851
Other	471,852	598,563
Approved capital funding	79,509	56,816
Medical remuneration	61,500	82,000
One-time funding	-	1,011,000
	\$ 4,072,623	\$ 3,433,542

6. Accounts receivable

	General Fund	Clinical, Basic Research and Special Projects Fund	2016 Total	2015 Total
CancerCare Manitoba Foundation Inc. (note 16)	\$ -	\$ 6,814,775	\$ 6,814,775	\$ 3,561,786
Other	294,606	3,135,755	3,430,361	2,578,010
University Medical Group	3,535,074	-	3,535,074	3,406,105
Winnipeg Regional Health Authority	-	469,935	469,935	841,464
University of Manitoba	-	143,194	143,194	141,243
Government of Canada	-	57,342	57,342	25
Province of Manitoba	-	600	600	570
	\$ 3,829,680	\$ 10,621,601	\$ 14,451,281	\$10,529,203

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2016

7. Retirement entitlement obligation receivable

The Organization has a contractual commitment to pay out to employees four days per year of service upon retirement. At March 31, 2016, based on an actuarial estimate, the retirement entitlement obligations are estimated to be \$7,253,000 (2015 - \$6,706,000) for which the Organization has recorded retirement entitlement obligations on the statement of financial position (note 15).

The amount of funding which will be provided by Manitoba Health for these retirement entitlement benefits was initially determined based on the retirement entitlement obligations at March 31, 2004, and was recorded as retirement entitlement obligation receivable from Manitoba Health. Since fiscal 2004, the Organization receives in-globe funding on an annual basis from Manitoba Health, which includes funding for the change in retirement entitlement obligations and retirement entitlement payments in the year, including an interest component on the retirement entitlement obligation receivable. The retirement entitlement obligation receivable from Manitoba Health aggregates \$1,419,400 (2015 - \$1,419,400) and has no specific terms of repayment.

8. Capital assets

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
<i>Capital Fund:</i>				
Building	\$ 62,838,430	\$ 22,865,517	\$ 39,972,913	\$ 41,367,050
Equipment	48,337,361	38,040,941	10,296,420	9,756,825
	111,175,791	60,906,458	50,269,333	51,123,875
<i>Clinical, Basic Research and Special Projects Fund:</i>				
Equipment	3,759,984	2,098,917	1,661,067	1,313,272
	\$ 114,935,775	\$ 63,005,375	\$ 51,930,400	\$ 52,437,147

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2016

9. Deferred contributions

(a) Expenses of future periods

Deferred contributions related to expenses of future periods represent contributions for specific projects and other purposes.

	2016	2015
Balance, beginning of year	\$ 2,224,374	\$ 2,434,479
Add amount received related to future periods	1,069,708	107,000
Less amounts amortized to revenue	(678,490)	(317,105)
Transfer to deferred contributions, capital assets	(195,063)	–
Balance, end of year	\$ 2,420,529	\$ 2,224,374

(b) Capital assets

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of contributions and grants received for the purchase of capital assets. The amortization of deferred contributions is recorded as revenue in the statement of operations and changes in fund balances.

	2016	2015
<i>Capital Fund:</i>		
Balance, beginning of year	\$ 53,650,404	\$ 57,260,848
Additional contributions received	1,307,491	1,358,190
Transfer from deferred contributions, expenses of future periods	195,063	–
Less amounts amortized to revenue	(4,152,633)	(4,968,634)
Balance, end of year	\$ 51,000,325	\$ 53,650,404

	2016	2015
<i>Clinical, Basic Research and Special Projects Fund:</i>		
Balance, beginning of year	\$ 741,985	\$ 979,314
Less amounts amortized to revenue	(247,329)	(237,329)
Balance, end of year	\$ 494,656	\$ 741,985

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2016

9. Deferred contributions (continued)

(b) Capital assets (continued)

The balance of unamortized capital contributions related to capital assets consists of the following:

	2016	2015
Unamortized capital asset contributions used to purchase capital assets	\$ 49,802,756	\$ 52,793,197
Unspent contributions	1,692,225	1,599,192
	<u>\$ 51,494,981</u>	<u>\$ 54,392,389</u>

Unamortized capital contributions of \$51,494,981 (2015 - \$54,392,389) include contributions received from Manitoba Health for the purchase of capital assets in the form of demand loans payable to the Bank of Montreal. The balances of the demand loans are as follows:

	2016	2015
Bearing interest at prime:		
Less 0.50%, repayment terms to be established	\$ 3,399,862	\$ 2,604,648

The Organization has established arrangements for a bridge facility of non-revolving demand loans to a maximum of \$25,000,000 (2015 - \$25,000,000) to assist with the construction or expansion costs of approved projects or the acquisition of equipment and specialized equipment as approved by Manitoba Health. Interest is charged at prime rate less 0.50 percent, repayment terms are established for each individual demand loan and the facility is secured by letters of authorization and comfort from Manitoba Health. The Organization has utilized \$3,399,862 of this facility as of March 31, 2016 (2015 - \$2,604,648).

The Organization has established arrangements for credit facilities for foreign exchange forward contracts, to a maximum of \$1,000,000 (2015 - \$1,000,000), and for overdraft and/or letters of credit for operating purposes to a maximum of \$5,200,000 (2015 - \$5,200,000). The latter facility is charged interest at prime less 0.50 percent, with both facilities secured by a general security agreement. The Organization has not utilized these facilities as of March 31, 2016 or March 31, 2015.

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2016

9. Deferred contributions (continued)

(b) Capital assets (continued)

Unamortized capital contributions of \$51,494,981 (2015 - \$54,392,389) also include contributions received from the Province of Manitoba to pay down third party borrowings that were utilized for the purchase of capital assets. The Organization has executed promissory notes for these contributions. The promissory notes are payable to the Department of Finance of the Province of Manitoba, and the payment of these liabilities is funded by Manitoba Health. The balances of the promissory notes are as follows:

	2016	2015
6.25% maturing March 31, 2020, repayable in monthly installments of \$76,754, plus interest	\$ 3,684,210	\$ 4,605,262
Variable rate (30-day bankers' acceptance plus 25 basis points), maturing February 28, 2022, repayable in monthly installments of \$50,439, plus interest	3,581,140	4,186,403
4.80% maturing November 30, 2016, repayable in monthly installments of \$50,000, plus interest	400,000	1,000,000
3.95% maturing November 30, 2025, repayable in monthly installments of \$77,778, plus interest	9,022,222	9,955,555
3.35% maturing February 28, 2028, repayable in monthly installments of \$38,889, plus interest	5,561,111	6,027,778
	<u>\$ 22,248,683</u>	<u>\$ 25,774,998</u>

10. Invested in capital assets

(a) Invested in capital assets is calculated as follows:

	2016	2015
Capital assets	\$ 51,930,400	\$ 52,437,147
Amounts financed by:		
Unamortized deferred contributions	(51,494,981)	(54,392,389)
Inter-fund accounts	891,441	2,686,978
	<u>\$ 1,326,860</u>	<u>\$ 731,736</u>

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2016

10. Invested in capital assets (continued)

(b) Change in invested in capital assets fund balance is calculated as follows:

	2016	2015
Surplus (deficit) for the year:		
Amortization of deferred contributions related to capital assets	\$ 4,399,962	\$ 5,205,963
Amortization of capital assets	(4,599,577)	(5,366,795)
	(199,615)	(160,832)
Invested in capital assets:		
Purchase of capital assets	4,092,830	793,530
Amounts funded by:		
Deferred contributions	(1,307,491)	(1,358,190)
Transfers from deferred contributions, expenses of future periods	(195,063)	—
Inter-fund balances	(1,795,537)	701,020
	794,739	136,360
	\$ 595,124	\$ (24,472)

11. Externally restricted fund balances

The major category of externally imposed restrictions on fund balances is as follows:

	2016	2015
Restricted for research projects, education purposes and other specific purposes	\$ 10,718,173	\$ 9,302,804

12. Commitments

The Organization has commitments for premises leases, equipment and information technology contracts with minimum annual payments as follows:

2017	\$ 483,000
2018	456,500
2019	345,000
	\$ 1,284,500

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2016

13. Contingencies - HIROC

On July 1, 1987, a group of health care organizations (subscribers) formed Healthcare Insurance Reciprocal of Canada (HIROC). HIROC is registered as a reciprocal under provincial insurance acts, which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2016.

14. Economic dependence

The Organization received approximately 86 percent (2015 - 86 percent) of its total revenue from Manitoba Health and is economically dependent on Manitoba Health for continued operations.

15. Employee future benefits

	2016	2015
Retirement entitlement obligations	\$ 7,253,000	\$ 6,706,000
Accumulated sick leave entitlement	1,296,000	1,298,000
	<u>\$ 8,549,000</u>	<u>\$ 8,004,000</u>

(a) Retirement entitlement obligations

The Organization has a contractual commitment to pay out to employees four days per year of service upon retirement if the employee complies with one of the following conditions:

- (i) have ten years service and have reached age 55; or
- (ii) qualify for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee; or
- (iii) retire at or after age 65; or
- (iv) terminate employment at any time due to permanent disability.

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2016

15. Employee future benefits (continued)

Information about the Organization's retirement entitlement obligations is as follows:

	2016	2015
Accrued benefit obligation		
Balance, beginning of year	\$ 6,706,000	\$ 6,439,000
Current service cost	554,000	471,000
Interest cost	178,000	209,000
Benefits paid	(211,000)	(388,000)
	7,227,000	6,731,000
Amortized actuarial loss (gain)	26,000	(25,000)
Balance, end of year	\$ 7,253,000	\$ 6,706,000

The significant actuarial assumptions adopted in measuring the Organization's retirement entitlement obligations include mortality, disability and withdrawal rates, a discount rate of 3.0 percent (2015 - 2.55 percent) and a rate of salary increase of 3.5 percent plus age-related merit/promotion scale (2015 - rate of salary increase of 3.5 percent plus age-related merit/promotion scale).

(b) Accumulated sick leave entitlement

Information about the Organization's accumulated sick leave entitlement is as follows:

	2016	2015
Accrued benefit obligation		
Balance, beginning of year	\$ 1,298,000	\$ 1,331,000
Current service cost	151,000	129,000
Interest cost	46,000	49,000
Benefits paid	(260,000)	(225,000)
	1,235,000	1,284,000
Amortized actuarial loss	61,000	14,000
Balance, end of year	\$ 1,296,000	\$ 1,298,000

The significant actuarial assumptions adopted in measuring the Organization's accumulated sick leave entitlement include a discount rate of 3.0 percent (2015 - 2.55 percent) and a rate of salary increase of 3.5 percent (2015 - 3.5 percent).

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2016

15. Employee future benefits (continued)

(c) Employee entitlements

The cost of the Organization's vacation, overtime and statutory holiday entitlements is accrued when the benefits are earned by the employees and is reported in accounts payable and accrued liabilities on the statement of financial position. Manitoba Health provides funding for these employee benefits payable on an annual basis and this amount is reported as vacation entitlements receivable on the statement of financial position. The amount of funding which will be provided by Manitoba Health for these employee benefits was initially determined based on the employee benefit obligations at March 31, 2004.

(d) Pension plans

Most of the employees of the Organization are members of the Healthcare Employees' Pension Plan - Manitoba (the Plan), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the Plan is accounted for as a defined contribution plan in accordance with the requirements of the Chartered Professional Accountants of Canada's Handbook, Public Sector Accounting Standards, Section 3250, *Retirement Benefits*.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5 percent of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employee contributions.

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2016

15. Employee future benefits (continued)

(d) Pension plans (continued)

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members or through a reduction of benefits. The most recent funding actuarial valuation of the Plan as at December 31, 2014 reported the Plan had a deficiency of actuarial value of net assets over actuarial value of pension obligations as well as a solvency deficiency. Based on the solvency exemption granted to the Plan, the Plan is not required to fund on a solvency basis but is required to fund on a going concern basis. The going concern deficiency will be funded by special payments out of current contributions. Any contribution deficiencies in the Plan would be addressed through pension benefit reductions or contribution rate increases from the participating members.

Actual contributions to the Plan made during the year by the Organization on behalf of its employees amounted to \$4,773,999 (2015 - \$4,298,496) and are included in the statement of operations and changes in fund balances. Employer contribution rates increased on April 1, 2015 to 8.9 percent (April 1, 2014 - 8.7 percent) of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 10.5 percent (April 1, 2014 - 10.3 percent) on earnings in excess of the YMPE.

16. CancerCare Manitoba Foundation Inc.

The Organization has an economic interest in CancerCare Manitoba Foundation Inc. (CCMF Inc.). At March 31, 2016, net resources of CCMF Inc. amounted to \$55,179,067 (2015 - \$49,692,330), of which \$19,742,485 (2015 - \$19,405,831) are restricted contributions. CCMF Inc.'s purpose is to support the Organization in its provision of a program of diagnosis of, treatment of, and research in respect of cancer. CCMF Inc. will solicit, receive, maintain and accumulate funds for distribution on a periodic basis to the Organization, to support principally research activities that are supplementary to those funded by Manitoba Health. During the year, CCMF Inc. awarded funds in the amount of \$6,982,759 (2015 - \$5,613,600) to the Organization which are recorded in grant revenue in the statement of operations and changes in fund balances. Accounts receivable from CCMF amount to \$6,814,775 at March 31, 2016 (2015 - \$3,561,786).

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2016

17. Change in non-cash operating working capital

The change in non-cash operating working capital consists of the following:

	2016	2015
		(restated, note 3)
<i>General Fund</i>		
Due from Manitoba Health	\$ (639,081)	\$ (1,653,392)
Accounts receivable	(151,067)	(498,407)
Inventory	1,110,045	(510,892)
Prepaid expenses	(635,250)	139,362
Accounts payable and accrued liabilities	4,021,018	256,863
Due to Manitoba Health	(7,620,234)	6,995,510
	(3,914,569)	4,729,044
<i>Clinical, Basic Research and Special Projects Fund</i>		
Accounts receivable	(3,771,011)	(2,134,324)
Accounts payable and accrued liabilities	217,117	5,740
	(3,553,894)	(2,128,584)
	\$ (7,468,463)	\$ 2,600,460

18. Financial risks

(a) Credit risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect its accounts receivable and investments.

The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Organization at March 31, 2016 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations and changes in fund balances. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations and changes in fund balances. The balance of the allowance for doubtful accounts at March 31, 2016 is \$1,316 (2015 - nil).

There have been no significant changes to the credit risk exposure from 2015.

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2016

18. Financial risks (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

There have been no significant changes to the liquidity risk exposure from 2015.

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates will affect the Organization's revenue or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Organization to cash flow interest rate risk. The Organization is exposed to this risk through its demand loans and one of its promissory notes.

As at March 31, 2016, had prevailing interest rates increased or decreased by 1 percent, assuming a parallel shift in the yield curve, with all other variables held constant, there would be no material impact on the market value of bonds.

The Organization mitigates interest rate risk on the majority of its promissory notes through fixed rates on the promissory notes. Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the majority of the promissory notes.

The Organization's investments, including bonds and deposit notes, are disclosed in schedules 1 and 2.

There has been no change to the interest rate risk exposure from 2015.

CANCERCARE MANITOBA

Short-Term Investments

Year ended March 31, 2016, with comparative information for 2015

March 31, 2016

Description	Interest rate %	Maturity date	Cost	Fair value
General Fund:				
Restricted investment:				
Corporate	1.50% to 1.65%	12-18-2016	\$ 1,048,888	\$ 1,048,888
Bonds:				
Municipal	2.75%	06-29-2016	290,016	284,966
Corporate	1.15% to 2.68%	10-21-2016 to 01-02-2017	2,412,077	2,404,333
			2,702,093	2,689,299
Deposit Notes:				
Corporate	2.65% to 2.948%	08-02-2016 to 12-15-2016	1,330,712	1,311,619
Total short-term investments - General Fund			\$ 5,081,693	\$ 5,049,806
Special Projects Fund:				
Bonds:				
Municipal	2.50% to 4.55%	11-14-2016 to 12-01-2016	\$ 360,120	\$ 349,825
Corporate	4.90%	02-23-2017	161,550	154,204
			521,670	504,029
Deposit Notes:				
Corporate	2.281%	10-17-2016	151,834	150,909
Total short-term investments - Special Projects Fund			\$ 673,504	\$ 654,938
Total short-term investments			\$ 5,755,197	\$ 5,704,744

March 31, 2015

Description	Interest rate %	Maturity date	Cost	Fair value
General Fund:				
Restricted investment:				
Corporate	1.50%	12-18-2015	\$ 1,048,888	\$ 1,048,888
Bonds:				
Municipal	4.375%	10-28-2015	214,940	203,985
Corporate	1.15% to 1.40%	10-21-2015 to 01-02-2016	2,000,277	2,000,277
			2,215,217	2,204,262
Total short-term investments - General Fund			\$ 3,264,105	\$ 3,253,150
Special Projects Fund:				
Bonds:				
Provincial	4.30%	12-03-2015	\$ 324,433	\$ 306,967
Corporate	3.36% to 5.161%	06-26-2015 to 02-15-2016	464,328	448,393
			788,761	755,360
Deposit Notes:				
Corporate	4.03% to 5.18%	05-26-2015 to 06-10-2015	320,277	301,776
Total short-term investments - Special Projects Fund			\$ 1,109,038	\$ 1,057,136
Total short-term investments			\$ 4,373,143	\$ 4,310,286

CANCERCARE MANITOBA

Investments

Year ended March 31, 2016, with comparative information for 2015

March 31, 2016

Description	Interest rate %	Maturity date	Cost	Fair value
General Fund:				
Restricted investment:				
Corporate	—	01-12-2017	\$ 1,049,463	\$ 1,049,463
Bonds:				
Provincial	1.60% to 2.45%	09-08-2017 to 12-01-2019	5,244,260	5,357,072
Municipal	2.05% to 4.60%	06-01-2017 to 10-15-2019	1,187,909	1,159,054
Corporate	2.19% to 4.55%	10-21-2016 to 12-08-2021	5,878,037	5,906,277
			12,310,206	12,422,403
Deposit Notes:				
Corporate	2.24% to 2.944%	12-11-2017 to 07-25-2019	5,230,120	5,248,652
Total investments - General Fund			\$ 18,589,789	\$ 18,720,518
Special Projects Fund:				
Bonds:				
Provincial	1.85% to 2.45%	09-08-2017 to 12-01-2019	\$ 607,727	\$ 618,020
Municipal	3.75%	08-13-2017	105,600	103,062
Corporate	1.62% to 3.90%	02-01-2018 to 03-04-2021	2,198,816	2,205,108
			2,912,143	2,926,190
Deposit Notes:				
Corporate	2.35% to 4.10%	06-08-2017 to 07-25-2019	498,879	490,480
Total investments – Special Projects Fund			\$ 3,411,022	\$ 3,416,670
Total investments			\$ 22,000,811	\$ 22,137,188

March 31, 2015

Description	Interest rate %	Maturity date	Cost	Fair value
General Fund:				
Restricted investment:				
Corporate	—	01-12-2018	\$ 1,049,463	\$ 1,049,463
Bonds:				
Provincial	1.60% to 2.45%	09-08-2017 to 12-01-2019	5,244,260	5,414,570
Municipal	2.25% to 4.60%	06-29-2016 to 06-27-2018	1,313,654	1,304,732
Corporate	2.30% to 4.55%	12-08-2016 to 10-21-2019	5,824,121	5,858,110
			12,382,035	12,577,412
Deposit Notes:				
Corporate	2.24% to 2.948%	08-02-2016 to 07-25-2019	6,560,832	6,662,711
Total investments - General Fund			\$ 19,992,330	\$ 20,289,586
Special Projects Fund:				
Bonds:				
Provincial	1.85% to 2.45%	09-08-2017 to 12-01-2019	\$ 607,727	\$ 624,197
Municipal	2.50% to 4.55%	11-14-2016 to 08-13-2017	465,720	463,390
Corporate	2.25% to 5.48%	02-23-2017 to 04-02-2020	1,195,623	1,215,290
			2,269,070	2,302,877
Deposit Notes:				
Corporate	2.281% to 4.10%	10-17-2016 to 07-25-2019	643,914	652,699
Total investments – Special Projects Fund			\$ 2,912,984	\$ 2,955,576
Total investments			\$ 22,905,314	\$ 23,245,162