



Financial Statements of

Canadian Cancer Society -
Société Canadienne du Cancer

Year ended January 31, 2019

Contents

	Page
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Financial Activities – Operations and Externally Restricted Funds	4
Statement of Changes in Fund Balances	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 22

Independent auditor's report

Grant Thornton LLP
11th Floor
200 King Street West, Box 11
Toronto, ON
M5H 3T4
T +1 416 366 0100
F +1 416 360 4949

To the Board of Directors of Canadian Cancer Society - Société Canadienne du Cancer

Qualified Opinion

We have audited the financial statements of Canadian Cancer Society – Société Canadienne due Cancer (“the Society”), which comprise the statement of financial position as at January 31, 2019, and the statements of financial activities – operations and externally restricted funds, statement of changes in fund balances and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at January 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Society derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Society. Therefore, we were not able to determine whether any adjustments might be necessary to donations revenue, excess of revenues over expenses, and cash flows from operations for the years ended January 31, 2019 and January 31, 2018, current assets as at January 31, 2019 and January 31, 2018, and net assets as at January 31, 2019 and January 31, 2018. Our audit opinion on the financial statements for the year ended January 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal

control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Canadian Cancer Society - Société Canadienne du Cancer

Statement of Financial Position

(in thousands of dollars)

As at January 31

	2019	2018
Assets		
Current assets:		
Cash	\$ 53,495	\$ 46,951
Short-term investments (note 2)	17,477	14,625
Accounts receivable	2,400	6,900
Prepaid expenses	2,264	1,059
	<u>75,636</u>	<u>69,535</u>
Long-term investments (note 3)	73,961	73,306
Intangible assets (note 4)	1,190	1,219
Capital assets (note 5)	38,434	38,147
	<u>\$ 189,221</u>	<u>\$ 182,207</u>
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 6,045	\$ 10,444
Research grants payable	3,863	5,718
Deferred revenue (note 7)	19,178	16,755
	<u>29,086</u>	<u>32,917</u>
Defined benefit pension liability (note 9(a))	11,778	15,308
Defined benefit liability for post-retirement benefits other than pensions (note 9(b))	27,244	27,088
Other long-term liabilities	632	866
	<u>68,740</u>	<u>76,179</u>
Fund Balances:		
Externally restricted fund (note 10)	13,314	11,006
Operations fund		
Invested in intangible and capital assets (note 11 (a))	39,624	39,366
Employee future benefits (note 11(b))	(39,022)	(42,396)
Internally restricted (note 11 (c))	53,539	22,538
Unrestricted	53,026	75,514
	<u>120,481</u>	<u>106,028</u>
	<u>\$ 189,221</u>	<u>\$ 182,207</u>

Commitments (note 13)

Guarantees and contingencies (note 16)

On behalf of the Board:

_____ Director



_____ Director

Canadian Cancer Society - Société Canadienne du Cancer

Statement of Financial Activities – Operations and Externally Restricted Funds

(in thousands of dollars)

Year ended January 31

	Operations fund		Externally restricted fund		Total	
	2019	2018	2019	2018	2019	2018
Revenue:						
Individual donations	\$ 101,527	\$ 103,026	\$ 103	\$ 37	\$ 101,630	\$ 103,063
Corporate	14,941	17,470	-	-	14,941	17,470
Planned giving	29,283	25,768	1,566	83	30,849	25,851
Lotteries (note 14)	9,598	18,655	-	-	9,598	18,655
Government sponsored projects and grants	11,818	13,304	-	-	11,818	13,304
Investment income (note 15)	3,117	3,238	275	354	3,392	3,592
Other	5,941	5,024	-	-	5,941	5,024
	176,225	186,485	1,944	474	178,169	186,959
Expenses:						
Mission expenses:						
Programs	52,593	51,435	-	-	52,593	51,435
Research	40,403	48,861	5	-	40,408	48,861
Advocacy	3,046	3,253	-	-	3,046	3,253
	96,042	103,549	5	-	96,047	103,549
Fundraising	53,480	54,335	1	7	53,481	54,342
Lotteries (note 14)	7,042	14,443	-	-	7,042	14,443
Administration	6,556	6,553	31	28	6,587	6,581
	163,120	178,880	37	35	163,157	178,915
Excess of revenue over expenses	\$ 13,105	\$ 7,605	\$ 1,907	\$ 439	\$ 15,012	\$ 8,044

See accompanying notes to the financial statements.

Canadian Cancer Society - Société Canadienne du Cancer

Statement of Changes in Fund Balances

(in thousands of dollars)

Year ended January 31

	Externally Restricted Fund		Operations Fund				Total 2019	Total 2018
	Externally restricted	Invested in intangible and capital assets	Employee future benefits	Internally restricted	Unrestricted			
Fund balances, beginning of year	\$ 11,006	\$ 39,366	\$ (42,396)	\$ 22,538	\$ 75,514	\$ 106,028	\$ 97,897	
Excess (deficiency) of revenue over expenses	1,907	(2,411)	(1,664)	-	17,180	15,012	8,044	
Employee future benefits contributions	-	-	5,411	-	(5,411)	-	-	
Transfer of funds (notes 10 and 11)	401	2,669	-	31,001	(34,071)	-	-	
Remeasurements and other items	-	-	(373)	-	(186)	(559)	87	
Fund balances, end of year	\$ 13,314	\$ 39,624	\$ (39,022)	\$ 53,539	\$ 53,026	\$ 120,481	\$ 106,028	

See accompanying notes to the financial statements.

Canadian Cancer Society - Société Canadienne du Cancer

Statement of Cash Flows

(in thousands of dollars)

Year ended January 31

	2019	2018
Operating activities		
Excess of revenue over expenses	\$ 15,012	\$ 8,044
Non-cash items:		
Amortization of capital assets	2,382	2,616
Amortization of intangible assets	29	29
Loss on capital asset disposition	36	692
Post-retirement benefits expense	926	861
Defined benefit pension expense	738	1,015
Loss on short-term investments	71	347
Gain on long-term investments	(99)	(1,540)
Other income	(50)	-
Employer post-retirement benefits contributions	(1,246)	(1,060)
Employer defined benefit pension contributions	(4,165)	(4,323)
Change in non-cash operating working capital (note 19)	(906)	(1,361)
	12,728	5,320
Investing activities		
Capital asset additions	(2,705)	(243)
Net (purchase) sale of short-term investments	(2,923)	134
Purchase of long-term investments	(3,645)	(41,702)
Sale of long-term investments	3,089	25,481
	(6,184)	(16,330)
Increase (decrease) in cash	6,544	(11,010)
Cash - beginning of year	46,951	57,961
Cash - end of year	\$ 53,495	\$ 46,951

Canadian Cancer Society - Société Canadienne du Cancer

Notes to Financial Statements

(in thousands of dollars)

Year ended January 31, 2019

The Canadian Cancer Society - Société Canadienne du Cancer (the "Society") is a registered charity incorporated under the Canada Not-for-profit Corporations Act (CNCA) as an organization without share capital. The Society is a national, community-based organization of volunteers, whose mission is the eradication of cancer and the enhancement of the quality of life of people living with cancer. The Society achieves its mission through research, programs (prevention, information and support) and advocacy for healthy public policy and access to quality cancer care everywhere in Canada. These efforts are supported by volunteers and staff and funds raised in communities across Canada.

The Society is a registered charity under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes provided certain requirements under the Income Tax Act (Canada) are met.

On February 1, 2017, the Society amalgamated with the Canadian Breast Cancer Foundation to increase operational efficiencies and further the impact of both organizations on all types of cancer for all Canadians. The amalgamated entity retained the name the Canadian Cancer Society - Société Canadienne du Cancer. This amalgamation has allowed the Society to accelerate the impact of donor dollars on cancer research and vital support services for people living with and affected by cancer.

During the year, the Board of Directors of the Society approved a project to develop the Centre for Cancer Prevention and Survivorship ("the Centre"), which will be a nationwide centre of excellence conducting research and developing programming in the areas of cancer prevention and survivorship. The Centre will be based in Vancouver and its construction will be funded in part by the Government of British Columbia, which has committed \$10,000, contingent upon the achievement of certain building milestones.

1. Significant accounting policies

(a) Basis of presentation:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(b) Fund accounting:

The Society follows the restricted fund method of accounting for contributions.

The externally restricted fund reports contributions utilized for capital campaigns and endowments. Other externally restricted contributions that relate to the Society's regular operations are reported as deferred revenue.

The operations fund reports all other activity and includes the following balances:

- i. The internally restricted balance reports amounts that have been allocated for specific purposes by the Board of Directors of the Society.
- ii. The invested in intangible and capital assets represents the net book value of all intangible and capital assets, less any related debt.
- iii. The balance presented as employee future benefits represents the defined benefit pension liability and the defined benefit liability for post-retirement benefits other than pensions.

Canadian Cancer Society - Société Canadienne du Cancer

Notes to Financial Statements

(in thousands of dollars)

Year ended January 31, 2019

1. Significant accounting policies (continued)

(b) Fund accounting (continued):

- iv. The unrestricted balance accounts for the Society's research, programs, advocacy, fundraising and administration activities not accounted for in other balances.

(c) Prepaid expenses:

Prepaid expenses include administrative costs paid in advance of the fiscal year to which the costs relate, such as prepaid property and liability insurance.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured 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. The Society has elected to carry its investments at fair value. Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

Financial assets measured at cost or amortized cost are regularly assessed for indicators of impairment. If there is an indication of impairment the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset, and recognizes an impairment loss if the carrying value of the financial asset is greater than the higher of the present value of the expected future cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral.

If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

The investment policy of the Society prohibits investment in any derivative financial instrument arrangements for leveraging or speculative purposes. The Society may invest in derivatives to specifically hedge investment assets against currency or interest rate risk.

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. When a capital asset no longer contributes to the Society's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis over the following periods:

Buildings	Maximum of 40 years based on useful life
Furniture and fixtures	4 years
Office equipment	3 years
Vehicles	3 years
Leasehold improvements	Lesser of lease term and useful life

Canadian Cancer Society - Société Canadienne du Cancer

Notes to Financial Statements

(in thousands of dollars)

Year ended January 31, 2019

1. Significant accounting policies (continued)

(f) Commitments:

Grants for research may be awarded for a period covering more than one fiscal year, subject to available funding and grantees meeting certain performance criteria. The statement of financial activities reflects only that portion of grants payable during the current fiscal year.

Research grants payable represents amounts payable upon receipt of financial reports, various certificates and actual invoices for equipment purchased from the various grantee institutions.

(g) Deferred revenue:

Deferred revenue includes ticket sales from undrawn lotteries and donations received for events to be held in the next fiscal year.

Deferred revenue also represents the deferred portion of government-sponsored projects, designated bequests and funds received for specific projects for which no corresponding restricted fund exists.

Deferred revenues are recognized as revenue when the related expenses are incurred.

(h) Employee future benefits:

(i) Pension plan:

The Society maintains a registered pension plan with a defined benefit component and a defined contribution component, which covers substantially all employees of the Society. The defined benefit component provides pensions based on length of service and final average earnings. The defined contribution component provides benefits based on the amount of employee and employer contributions and the rate of return on such contributions. As of January 1, 2016, all pension plan members participate under the defined contribution component for all future service.

The Society also maintains a supplemental defined benefit pension plan (non-registered plan) providing benefits above the maximums prescribed under the Income Tax Act (Canada). The non-registered pension plan is unfunded.

The Society measures the defined benefit obligations using an actuarial valuation prepared for accounting purposes, based on the projected benefit method prorated on services (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial assumptions). The measurement date of the plan assets and defined benefit obligations is January 31. The financial statements were prepared using a projection of the December 31, 2017 valuation. The cost of the defined contribution component of the pension plan is based on a percentage of the employee's pensionable earnings.

Canadian Cancer Society - Société Canadienne du Cancer

Notes to Financial Statements

(in thousands of dollars)

Year ended January 31, 2019

1. Significant accounting policies (continued)

(h) Employee future benefits (continued):

(ii) Post-retirement benefits other than pensions:

The Society maintains a post-retirement benefit plan for retired employees and their spouses which includes life insurance, extended health care and dental care benefits. Employees joining the Society after January 1, 2007 are not eligible for this benefit plan. The post-retirement benefit plan is unfunded.

The Society accrues its obligations under the post-retirement benefit plan as the employees render the services necessary to earn the post-retirement benefits. The Society measures the post-retirement benefit obligation using an actuarial valuation prepared for accounting purposes, based on the projected benefit method prorated on services (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial assumptions). The measurement date of the post-retirement benefit obligation is January 31. The financial statements were prepared using a valuation as at January 31, 2019.

The Society accounts for current service costs and finance costs under the pension and post-retirement benefits other than pension plans through the statement of financial activities. Remeasurements and other items are accounted for through the statement of changes in fund balances and include actuarial gains and losses; past service costs; and gains and losses arising from settlements and curtailments.

Actuarial gains and losses are changes in the defined benefit obligations arising from differences between actual and expected experiences and from changes in the actuarial assumptions used to determine the defined benefit obligations.

(i) Revenue and expenses:

(i) Revenue:

Revenue from donations is recognized on a cash basis, with no accrual being made for amounts pledged but not received.

Special events revenue is recognized on completion of the event.

Investment income is recognized on an accrual basis. Changes in fair value, of investments subsequently measured at fair value, are included in investment income in the statement of financial activities.

The Society is the beneficiary under various wills and trust agreements. The total realizable amounts are not readily determinable. The Society recognizes such bequests when the proceeds are received or when collection of the amount is reasonably assured and reliably measurable.

Endowment contributions are recognized as revenue in the year in which they are received. Endowments consist of restricted contributions received by the Society where the principal gift is required to be maintained intact and investment income generated is used in accordance with the purposes established by the donors.

Canadian Cancer Society - Société Canadienne du Cancer

Notes to Financial Statements

(in thousands of dollars)

Year ended January 31, 2019

1. Significant accounting policies (continued)

(i) Revenue and expenses (continued):

(i) Revenue (continued):

Revenue from lotteries is recognized upon completion of the lottery.

(ii) Expenses:

Expenses are charged to mission priorities, which include programs, research, advocacy, as well as fundraising and administration according to the activity that they benefit. Certain expenses benefit more than one category and, accordingly, are attributed to the relevant categories. In addition, certain administrative expenses are allocated to mission and fundraising activities based on an estimate of staff time related to each area of activity (see note 12). A policy exists that enforces annual review and approval of the basis of attribution and allocation for all expenses. The basis of allocation may be revised according to circumstances prevailing at any given time.

- Programs expenses consists of health promotion for Canadians (tobacco cessation, healthy eating, physical activity, reduced exposure to carcinogens, screening) and of support to cancer patients and caregivers during and beyond the cancer journey. Information, emotional and practical support programs are delivered in the community, by telephone, print or through the website and social media. Examples of programs include community outreach, workplace wellness, smoking cessation, information and support services, lodges, transportation, financial assistance, wigs/prosthesis and related activities.
- Research expenses includes research funding and the costs of supporting research programs. Research funding (projects, personnel and research centres) focuses on the advancement of knowledge in cancer risk reduction and prevention, screening, diagnosis, treatment, cure, supportive care, survivorship and end-of-life care through basic-biomedical, translational, clinical, behavioural and population-based research. Supporting research programs includes activities related to the peer-review process, program administration, research forums, advisory committees and linkage with researchers.
- Fellowships and grants may be awarded, and contracts entered into, for a period covering more than one fiscal year. The statement of financial activities reflects only that portion of fellowships, grants or contracts payable during the current fiscal year.
- Advocacy expenses includes activities related to influencing policy makers to implement public policies and programs that enable the adoption of healthy behaviours, reduction of occupational and environmental carcinogens, access to organized cancer screening programs and quality cancer care (from diagnosis to palliative care), financial support for cancer patients and caregivers and investment in cancer research. Activities include developing positions, raising public awareness, mobilizing communities, building coalitions and lobbying.

Canadian Cancer Society - Société Canadienne du Cancer

Notes to Financial Statements

(in thousands of dollars)

Year ended January 31, 2019

1. Significant accounting policies (continued)

(i) Revenue and expenses (continued):

(ii) Expenses (continued):

- Fundraising expenses include all costs supporting the generation of fundraising revenue to provide the means to further the Society's mission. Fundraising expenses include costs related to the lotteries, which are costs related to prizes awarded, marketing and other expenses.
- Administration expenses are incurred to operate the Society and its programs in a cost-effective manner while maximizing all opportunities to further the Society's mission. These include expenses related to human resources, information technology, facilities and finance department in addition to corporate governance activities, such as strategic planning, compliance and regulatory reporting, and financial planning. As discussed above, amounts related to fundraising and mission are allocated to those activities.

(j) Donated goods and services:

The value of donated goods and services is recorded as revenue and an expense in the financial statements when the fair value can be reasonably estimated and when the goods and services are normally purchased and would be paid for if not donated.

The Society's programs benefit substantially from services in the form of volunteer time. The value of volunteer services is not recorded in these financial statements.

(k) Use of estimates:

The preparation of the 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 obligations related to employee future benefits, carrying amount of capital assets, and allocation of expenses. Actual results could differ from those estimates.

Canadian Cancer Society - Société Canadienne du Cancer

Notes to Financial Statements

(in thousands of dollars)

Year ended January 31, 2019

2. Short-term investments

Short-term investments in the amount of \$5,347 (2018 - \$5,095) mature or are redeemable at various dates not exceeding 12 months, and have interest rates varying from 1.10% to 2.30% (2018 - 0.95% to 1.60%).

In addition, there are short-term investments in the amount of \$12,130 (2018 - \$9,530) managed by an independent investment manager, with interest rates for fixed income securities varying from 1.42% to 4.50% (2018 - 0.50% to 8.50%) and the maturity dates from May 2019 to January 2029 (2018 - March 2018 to November 2027).

3. Long-term investments

	2019	2018
Pooled funds	\$ 73,884	\$ 72,853
Other investments	77	453
	\$ 73,961	\$ 73,306

Long-term investments have been placed in an independently managed portfolio of pooled funds, which can be promptly liquidated if required. These investments have been classified as long-term investments as the Society does not intend to use these investments in the next 12 months. Long-term investments are recorded at fair value. The fair value of the pooled funds is determined based on year-end quoted market prices of the underlying assets in the pooled funds.

Other investments consist primarily of GIC's and other fixed income securities with maturities greater than 12 months. The stated interest rates for the other investments are 1.20% to 1.55% (2018 - 0.85% to 1.10%) and maturity dates to October 2020 (2018 - to October 2019).

The pooled funds comprise the following asset classes:

	2019	2018
Fixed income	59.59 %	53.16 %
Balanced	0.00 %	24.17 %
Canadian equity	21.14 %	12.06 %
Global equity	13.39 %	6.54 %
Money market	5.88 %	4.07 %

Canadian Cancer Society - Société Canadienne du Cancer

Notes to Financial Statements

(in thousands of dollars)

Year ended January 31, 2019

4. Intangible assets

	2019	2018
Cost	\$ 1,619	\$ 1,619
Accumulated amortization	(429)	(400)
	\$ 1,190	\$ 1,219

Camp Goodtimes:

The Society has an agreement with the University of British Columbia ("UBC") to provide the Society with access to the UBC Loon Lake Camp. The camp facilities house the camp programs for children and teens who are undergoing or who have undergone cancer treatment, along with their siblings and families. This agreement began in January 2004 and ends on December 31, 2055, with lump-sum payments by the Society totalling \$1,619 and annual operating payments of \$133 (2018 - \$133) indexed for inflation in the future. Total lump-sum payments were capitalized and are amortized over the term of the agreement, subject to early termination rights by both parties. If this occurs, any unamortized amounts would be repaid to the Society.

5. Capital assets

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 4,310	\$ -	\$ 4,310	\$ 4,310
Buildings	56,689	25,808	30,881	32,278
Furniture and fixtures	5,873	5,681	192	398
Office equipment	15,863	15,569	294	796
Art collection	20	-	20	20
Vehicles	631	583	48	124
Leasehold improvements	2,209	2,176	33	116
Construction in progress	1,312	-	1,312	105
Work in progress	1,344	-	1,344	-
	\$ 88,251	\$ 49,817	\$ 38,434	\$ 38,147

Construction in progress of \$1,309 (2018 - \$105) relates to costs incurred to date on the construction of the Centre. Work in progress of \$1,344 (2018 - nil) relates to costs incurred on the development of a constituent relationship management system. These assets are not available for use and therefore no amortization is being recorded.

Canadian Cancer Society - Société Canadienne du Cancer

Notes to Financial Statements

(in thousands of dollars)

Year ended January 31, 2019

6. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$124 (2018 - \$173) relating to federal and provincial sales taxes, payroll taxes, health taxes and workers' safety insurance.

7. Deferred revenue

	2019	2018
Balance, beginning of the year	\$ 16,755	\$ 16,159
Additions	12,860	12,650
Disbursements	(10,437)	(12,054)
Balance, end of the year	\$ 19,178	\$ 16,755

8. Credit facilities

The Society has entered into a credit facility agreement (the "Facility") with a Canadian chartered bank, used by the Society to issue letters of credit in support of its Ontario lotteries. The Facility has a maximum credit limit equal to \$10,000 and drawings are secured by either cash or a guaranteed investment certificate held at the chartered bank. The Facility carries a fee of 0.45% per annum on any drawn amounts. As at January 31, 2019, the Society had no letters of credit outstanding.

9. Employee future benefit plans

(a) Defined benefit pension liability is as follows:

	2019	2018
Defined benefit obligation	\$ 129,340	\$ 134,898
Fair value of plan assets	117,562	119,590
Defined benefit pension liability	\$ 11,778	\$ 15,308

The employee future benefit plan liabilities are estimates, based on actuarial assumptions, of liabilities that will be settled over a long-term time horizon.

The Society is committed to providing full funding of the benefit plans and has put multiple strategies in place to reduce or limit the future costs and risks associated with the plans.

Canadian Cancer Society - Société Canadienne du Cancer

Notes to Financial Statements

(in thousands of dollars)

Year ended January 31, 2019

9. Employee future benefit plans (continued)

(a) Defined benefit pension liability is as follows: (continued)

Plan assets include annuities which are accounted for on a non-settlement basis.

The most recent actuarial valuation of the defined benefit components of the pension plan and the non-registered supplemental pension plan, prepared for accounting purposes, was as of December 31, 2017, and the next required valuation for accounting purposes will be as of December 31, 2020.

(b) Defined benefit liability for post-retirement benefits other than pensions

The plan for post-retirement benefits other than pensions is unfunded and therefore has no plan assets to report.

The most recent actuarial valuation of the post-retirement benefit plan, prepared for accounting purposes, was as of January 31, 2019, and the next required valuation for accounting purposes will be as of January 31, 2022.

10. Externally restricted fund

	Capital Campaigns	Endowments	2019	2018
Balance, beginning of the year	\$ 4,103	\$ 6,903	\$ 11,006	\$ 10,808
Increase (decrease) in balance	50	1,857	1,907	438
Appropriations / transfers	571	(170)	401	(240)
Balance, end of the year	\$ 4,724	\$ 8,590	\$ 13,314	\$ 11,006

As at January 31, 2019, the Capital Campaign balance includes an amount of \$2,557 from the Government of British Columbia that is held in trust for the construction of the Centre in Vancouver. This is the first installment of a total grant of \$10,000 which will be provided at key construction milestones of the project.

Canadian Cancer Society - Société Canadienne du Cancer

Notes to Financial Statements

(in thousands of dollars)

Year ended January 31, 2019

11. Operations fund

a) Invested in capital assets

The amount invested in capital assets is computed as follows:

	2019	2018
Intangible assets (note 4)	\$ 1,190	\$ 1,219
Capital assets (note 5)	38,434	38,147
	\$ 39,624	\$ 39,366

b) Employee future benefits

The employee future benefits balance comprises the following amounts:

	2019	2018
Defined pension benefit liability (note 9(a))	\$ 11,778	\$ 15,308
Defined benefit liability for post-retirement benefits other than pensions (note 9 (b))	27,244	27,088
	\$ 39,022	\$ 42,396

c) Internally restricted

The internally restricted balance is comprised of the following reserves:

	Balance, beginning of year	Increase (decrease) in fund	Balance, end of year
Research	\$ 3,500	\$ (961)	\$ 2,539
Operating	17,000	-	17,000
Capital projects	2,038	31,962	34,000
	\$ 22,538	\$ 31,001	\$ 53,539

During the year, the Board of Directors approved the establishment of an internally restricted balance of \$34,000 through the transfer of funds from the unrestricted balance to fund ongoing capital projects.

Canadian Cancer Society - Société Canadienne du Cancer

Notes to Financial Statements

(in thousands of dollars)

Year ended January 31, 2019

12. Allocation of expenses

Certain administrative expenses are allocated to fundraising and mission activities based on an estimate of staff time related to each area of activity.

The administrative expense which have been allocated have impacted the following expense categories:

	2019	2018
Programs	\$ 25,371	\$ 20,283
Research	1,136	1,309
Advocacy	1,667	1,580
Fundraising	11,855	13,192
	\$ 40,029	\$ 36,364

13. Commitments

The Society has entered into various agreements with approximate minimum aggregate annual commitments as follows:

	Premises	Equipment and other	Total
2020	\$ 6,841	\$ 64	\$ 6,905
2021	6,288	32	6,320
2022	4,881	22	4,903
2023	3,969	5	3,974
2024	2,984	2	2,986
Thereafter	828	-	828
	\$ 25,791	\$ 125	\$ 25,916

As at January 31, 2019, the Board of Directors has awarded research grants and program funding totalling \$61,515 (2018 - \$69,162), payment of which is expected to be made over the next five years, subject to future revenue and to certain performance conditions being met, as follows:

2020	\$ 29,279
2021	17,476
2022	11,084
2023	3,456
Thereafter	220
	\$ 61,515

Canadian Cancer Society - Société Canadienne du Cancer

Notes to Financial Statements

(in thousands of dollars)

Year ended January 31, 2019

14. Lotteries

The Society conducts charitable lotteries in accordance with provincial regulations. The net proceeds are used by the Society for mission-related expenses. During the fiscal year ended January 31, 2019, 1 lottery program (2018 – 2) was held in Ontario. The financial results were as follows:

	2019	2018
Revenue	\$ 9,598	\$ 18,655
Expenses		
Prizes	4,253	8,824
Marketing and other	2,789	5,619
	7,042	14,443
	\$ 2,556	\$ 4,212

15. Income from investments measured at fair value

Income earned is reported as follows:

	2019	2018
Net decrease in fair value of investments	\$ (3,633)	\$ (872)
Interest and dividends income	3,364	2,399
Realized gains	3,661	2,065
Total investment income	\$ 3,392	\$ 3,592
	2019	2018
Income earned on unrestricted funds		
- recognized in the operations fund	\$ 3,117	\$ 3,238
Income earned on restricted funds		
- recognized in the externally restricted fund	275	354
Total investment income	\$ 3,392	\$ 3,592

Canadian Cancer Society - Société Canadienne du Cancer

Notes to Financial Statements

(in thousands of dollars)

Year ended January 31, 2019

16. Guarantees and contingencies

In the normal course of operations, the Society enters into agreements that meet the definition of a guarantee. The Society's primary guarantees are as follows:

The Society purchases directors' and officers' insurance. The Society has indemnified its past, present and future directors, officers, trustees, employees, volunteers and members, who sit on any duly constituted committee of the Society, against expenses (including legal), judgements and any amount actually or reasonably incurred by them in connection with any wrongful act in which they are sued as a result of their service to the Society, if they acted honestly and in good faith with a view of the best interests of the Society.

The nature of these indemnification agreements prevents the Society from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of the liability, which stems from the unpredictability of future events and the unlimited coverage offered to third parties. Historically, the Society has not made any significant payments under such or similar indemnification agreements. At this time, the Society is not aware of any claims under these guarantees and, therefore, no amount has been accrued in the financial statements with respect to these guarantees.

The Society is party to legal actions arising in the ordinary course of operations. While it is not feasible to predict the outcome of these actions, it is the opinion of management that the resolution of these matters will not materially affect the Society's financial position.

17. Related party transactions

During the fiscal year ended January 31, 2019, 1 member (2018 – 1) of the Board of Directors was a recipient of research funding through the Society's normal competitive research grant process. This included \$250 (2018 - \$270) for programs for which they are directly responsible and \$500 (2018 - \$98) for programs in which they participate.

Canadian Cancer Society - Société Canadienne du Cancer

Notes to Financial Statements

(in thousands of dollars)

Year ended January 31, 2019

18. Financial risks

Risk management relates to the understanding and active management of risks associated with all areas of the Society's activities and the associated operating environment. Investments are primarily exposed to interest rate, market, foreign currency, credit and liquidity risks. The Society has formal investment policies and procedures that establish target asset mix. The Society's policies also require diversification of investments within categories, and set limits on exposure to individual investments and credit quality.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in the market interest rate. The Society's credit facility agreement, which was not drawn down during the year, bears interest at a fixed rate. Consequently, the Society is not subject to cash flow interest rate risk. The Society's short term deposits and other investments bear interest at various fixed rates and therefore is subject to fair value interest rate risk. This risk is minimized by the short term until maturity. The Society's other financial instruments are non-interest bearing and as such interest rate risk is minimal. There has been no change to the risk exposure from 2018.

(b) Market risk

The risks associated with the pooled funds are the risks associated with the securities in which the pooled funds are invested. The value of equity securities changes with stock market conditions, which are affected by general economic and market conditions. The fair value of securities will vary with developments within the specific companies or governments which issue the securities. The Society manages this risk through controls to monitor and limit concentration levels. There has been no change to the risk exposure from 2018.

(c) Foreign currency risk

The fair value of securities denominated in a currency other than the Canadian dollar will be affected by changes in the value of the Canadian dollar in relation to the value of the currency in which the security is denominated. The Society's investment policies mitigates this risk by limiting concentration levels. There has been no change to the risk exposures from 2018.

(d) Credit risk

The Society is exposed to credit risk on its fixed income investments as a default by the bond issuer would cause a financial loss for the Society. The Society mitigates this risk by restricting fixed income investments to instruments with high quality credit ratings assigned by a well-recognized credit agency, and by limiting exposure to individual investments. There has been no change to the risk exposures since 2018. The Society does not consider credit risk on its accounts receivable to be significant given the nature of the Society's sources of revenue.

Canadian Cancer Society - Société Canadienne du Cancer

Notes to Financial Statements

(in thousands of dollars)

Year ended January 31, 2019

18. Financial risks (continued)

(e) Liquidity risk

Liquidity risk is the risk that the Society will not be able to meet a demand for cash or fund its obligations as they come due. The Society meets its liquidity requirements by preparing and monitoring forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash. There has been no change to the risk exposures since 2018.

19. Change in non-cash operating working capital

	2019	2018
Accounts receivable	\$ 4,500	\$ (2,083)
Prepaid expenses	(1,205)	1,463
Accounts payable and accrued liabilities	(4,399)	(156)
Research grants payable	(1,855)	2,234
Deferred revenue	2,287	596
Other long-term liabilities	(234)	(3,415)
	\$ (906)	\$ (1,361)
