



Financial Statements of

Canadian Cancer Society -
Société Canadienne du Cancer

Year ended January 31, 2016

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Independent auditor's report

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

We have audited the accompanying financial statements of the Canadian Cancer Society – Société Canadienne du Cancer, which comprise the statement of resources as at January 31, 2016, and the statement of financial activities – operations and externally restricted resources, statement of changes in resources and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

In common with many not-for-profit organizations, the Canadian Cancer Society – Société Canadienne du Cancer derives revenue from donations, 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 Canadian Cancer Society – Société Canadienne du Cancer. Therefore, we were not able to determine whether any adjustments might be necessary to donations revenue, increase (decrease) in resources and cash flows from operations for the years ended January 31, 2016 and January 31, 2015, current assets as at January 31, 2016 and 2015, and net assets as at February 1, 2015 and 2014 and January 31, 2016 and 2015. Our audit opinion on the financial statements for the year ended January 31, 2015 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Canadian Cancer Society – Société Canadienne du Cancer as at January 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Toronto, Canada
May 27, 2016

Chartered Professional Accountants
Licensed Public Accountants

Canadian Cancer Society - Société Canadienne du Cancer

Statement of Resources

(in thousands of dollars)

As at January 31

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 31,657	\$ 40,144
Short-term investments (note 2)	36,412	49,814
Accounts receivable	2,612	3,095
Prepaid expenditures and supplies	2,828	3,031
BC Healthy Living Alliance ("BCHLA") funds held in trust (note 3)	9,904	7,478
	<u>83,413</u>	<u>103,562</u>
Long-term investments (note 4)	35,818	47,350
Intangible assets (note 5)	1,276	1,305
Capital assets (note 6)	40,810	38,180
	<u>\$ 161,317</u>	<u>\$ 190,397</u>

Liabilities and Resources

Current liabilities:

Accounts payable and accrued liabilities (note 7)	\$ 10,182	\$ 10,828
Research grants payable	2,624	7,965
Deferred contributions (note 8)	3,746	3,264
Deferred revenue (note 9)	4,177	5,272
BCHLA funds held in trust (note 3)	9,904	7,478
Current portion of credit facility (note 10)	400	72
	<u>31,033</u>	<u>34,879</u>
Credit facility (note 10)	\$ -	\$ 400
Defined benefit pension liability (Note 11(a))	24,530	33,065
Defined benefit liability for post-retirement benefits other than pensions (Note 11(b))	29,232	31,341
Other long-term liabilities	373	536
	<u>\$ 85,168</u>	<u>\$ 100,221</u>

Resources:

Externally restricted (note 12)	\$ 19,346	\$ 20,382
Invested in capital assets (note 13)	41,686	39,013
Employee future benefits (note 14)	(53,762)	(64,406)
Internally restricted (note 15)	66,648	68,822
Unrestricted	2,231	26,365
	<u>76,149</u>	<u>90,176</u>
	<u>\$ 161,317</u>	<u>\$ 190,397</u>

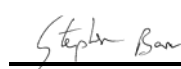
Commitments (note 16)

Guarantees and contingencies (note 19)

On behalf of the Board:



Director



Director

Canadian Cancer Society - Société Canadienne du Cancer

Statement of Financial Activities – Operations and Externally Restricted Resources

(in thousands of dollars)

Year ended January 31

	Operations		Externally restricted	
	2016	2015	2016	2015
Revenue:				
Annual giving	\$ 40,093	\$ 41,535	\$ -	\$ -
Relay for Life	33,767	42,345	-	20
Planned gifts	29,699	29,058	82	130
Special events	22,570	24,478	-	-
Lotteries (note 17)	22,107	32,417	-	-
Tributes	7,068	7,988	-	-
Major gifts	5,351	2,785	25	25
Capital campaign	-	-	3,733	1,779
	160,655	180,606	3,840	1,954
Less:				
Direct fundraising	45,013	44,862	119	353
Lotteries fundraising (note 17)	14,395	25,128	-	-
Net fundraising revenue	101,247	110,616	3,721	1,601
Government and other				
sponsored projects	13,350	10,681	-	-
Investment income (loss) (note 18)	688	5,315	(22)	1,364
Other income	5,632	5,540	-	-
	120,917	132,152	3,699	2,965
Expenditures:				
Mission expenditures:				
Programs	68,400	69,297	43	138
Research	44,071	43,870	10	48
Advocacy	7,906	8,382	3	5
	120,377	121,549	56	191
Supporting:				
Indirect fundraising	17,551	18,865	23	31
Administration (note 21)	7,351	7,681	25	25
	24,902	26,546	48	56
	145,279	148,095	104	247
Increase (decrease) in resources	\$ (24,362)	\$ (15,943)	\$ 3,595	\$ 2,718

Canadian Cancer Society - Société Canadienne du Cancer

Statement of Changes in Resources

(in thousands of dollars)

Year ended January 31

	Externally restricted	Invested in capital assets	Employee future benefits (note 1)	Internally restricted	Unrestricted	Total 2016	Total 2015
Resources, beginning of year	20,382	39,013	(64,406)	68,822	26,365	90,176	112,343
Increase (decrease) in resources	3,595	(2,377)	(6,788)	(11,511)	(3,686)	(20,767)	(13,225)
Invested in capital assets	(3,847)	4,978	-	(113)	(1,018)	-	-
Employee future benefits contributions and payments	-	-	10,692	-	(10,692)	-	-
Appropriations (note 15)	(784)	72	-	9,450	(8,738)	-	-
Remeasurements and other items	-	-	6,740	-	-	6,740	(8,942)
Resources, end of year	\$ 19,346	\$ 41,686	\$ (53,762)	\$ 66,648	\$ 2,231	\$ 76,149	\$ 90,176

Canadian Cancer Society - Société Canadienne du Cancer

Statement of Cash Flows

(in thousands of dollars)

Year ended January 31

	2016	2015
Operating activities		
Decrease in resources	\$ (20,767)	\$ (13,225)
Non-cash items:		
Amortization of capital assets	2,348	2,845
Amortization of intangible assets	29	28
Post-retirement benefits expense	1,610	1,590
Defined benefit pension expense	5,178	5,213
Gain on investments	2,491	(2,897)
Employer post-retirement benefits contributions	(877)	(825)
Employer defined benefit pension contributions	(9,815)	(7,562)
Change in non-cash operating working capital	(6,077)	(667)
	<u>(25,880)</u>	<u>(15,500)</u>
Financing activities		
Repayment of credit facility	(72)	(70)
Investing activities		
Capital asset additions	(4,978)	(1,176)
Net sale of short-term investments	13,334	6,764
Purchase of long-term investments	(5,200)	(6,784)
Sale of long-term investments	14,309	7,146
	<u>17,465</u>	<u>5,950</u>
Decrease in cash	(8,487)	(9,620)
Cash and cash equivalents, beginning of year	40,144	49,764
Cash and cash equivalents, end of year	<u>\$ 31,657</u>	<u>\$ 40,144</u>

Canadian Cancer Society - Société Canadienne du Cancer

Notes to Financial Statements

(in thousands of dollars)

Year ended January 31, 2016

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. In the opinion of management, these requirements have been met.

1. Significant accounting policies

(a) Basis of presentation:

These financial statements include the financial activities and financial position of the 10 provincial Divisions and the National Office of the Society. 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 resources contributed and utilized for capital campaigns and endowments. Other externally restricted contributions that relate to the Society's regular operations are reported as deferred contributions on the statement of resources and recognized as revenue, in the Operations fund, when the related expenditures are incurred.

The internally restricted fund reports resources that have been allocated for specific purposes by the Board of Directors of the Society.

Resources presented as invested in capital assets represent the net book value of all capital assets, less any related debt.

Resources presented as employee future benefits represent the defined benefit pension liability and the defined benefit liability for post-retirement benefits other than pensions.

The unrestricted fund accounts for the Society's research, programs, advocacy, fundraising and administration activities.

Canadian Cancer Society - Société Canadienne du Cancer

Notes to Financial Statements

(in thousands of dollars)

Year ended January 31, 2016

1. Significant accounting policies (continued)

(c) Prepaid expenditures and supplies:

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

Supplies consist primarily of educational pamphlets and materials, revenue development and other supplies maintained at the Society which are recorded at lower of cost or replacement cost.

(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.

Canadian Cancer Society - Société Canadienne du Cancer

Notes to Financial Statements

(in thousands of dollars)

Year ended January 31, 2016

1. Significant accounting policies (continued)

(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, including computer hardware and software	3 years
Vehicles	3 years
Leasehold improvements	Lesser of lease term and useful life

(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.

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 and contributions:

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

Deferred contributions represent the deferred portion of government-sponsored projects, designated bequests and funds received for specific projects for which no corresponding restricted fund exists. Deferred contributions are recognized as revenue when the related expenditures are incurred.

Canadian Cancer Society - Société Canadienne du Cancer

Notes to Financial Statements

(in thousands of dollars)

Year ended January 31, 2016

1. Significant accounting policies (continued)

(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 will 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 accrues its obligations under the defined benefit components of the pension plan as the employees render the services necessary to earn the pension. 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 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, 2014, and the next required valuation for accounting purposes will be as of December 31, 2017. The financial statements were prepared using an extrapolation of the December 31, 2014 valuation. The cost of the defined contribution component of the pension plan is based on a percentage of the employee's pensionable earnings.

(ii) Post-retirement benefits other than pensions:

The Society also 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.

Canadian Cancer Society - Société Canadienne du Cancer

Notes to Financial Statements

(in thousands of dollars)

Year ended January 31, 2016

1. Significant accounting policies (continued)

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 most recent actuarial valuation of the post-retirement benefit plan, prepared for accounting purposes, was as of January 31, 2014, and the next required valuation for accounting purposes will be as of January 31, 2017. The financial statements were prepared using an extrapolation of the January 31, 2014 valuation.

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 resources 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 expenditures:

(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.

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.

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, 2016

1. Significant accounting policies (continued)

Revenue from lotteries is recognized upon completion of the lottery.

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.

Proceeds from life insurance policies and life annuities which vest irrevocably with the Society are recognized as revenue when the proceeds are received.

(ii) Expenditures:

Expenditures are charged to mission expenditures priorities, which include research, programs, advocacy, as well as direct and indirect fundraising and administration according to the activity that they benefit. Certain expenditures benefit more than one category and, accordingly, are attributed to the relevant categories. A policy exists that enforces annual review and approval of the basis of attribution and allocation for all expenditures. The basis of allocation may be revised according to circumstances prevailing at any given time.

Programs expenditures 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 expenditures 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.

Canadian Cancer Society - Société Canadienne du Cancer

Notes to Financial Statements

(in thousands of dollars)

Year ended January 31, 2016

1. Significant accounting policies (continued)

Advocacy expenditures 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.

Direct fundraising expenditures are incurred to support annual fundraising activities and include revenue development salaries.

Lotteries fundraising expenditures include prizes awarded, marketing and other expenditures.

Indirect fundraising expenditures are supporting costs incurred in the generation of fundraising revenue to provide the means to further the Society's mission.

Administration expenditures are incurred to operate the organization and its programs in a cost-effective manner while maximizing all opportunities to further the Society's mission. These include expenditures 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.

(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) Cash and cash equivalents:

Cash and cash equivalents includes cash on hand and short-term deposits which are highly liquid and for which the original maturities are less than three months.

Canadian Cancer Society - Société Canadienne du Cancer

Notes to Financial Statements

(in thousands of dollars)

Year ended January 31, 2016

1. Significant accounting policies (continued)

(l) 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 expenditures 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 expenditures. Actual results could differ from those estimates.

2. Short-term investments

Short-term investments, in the amount of \$13,206 (2015 - \$19,934), mature or are redeemable at various dates not exceeding 12 months, and have interest rates varying from 0.80% to 1.50% (2015 - 0.80% to 1.71%).

In addition, there are short-term investments in the amount of \$23,206 (2015 - \$29,880) managed by an independent investment manager, with interest rates for fixed income securities varying from 1.75% to 10.45% (2015 - 1.75% to 10.45%) and the maturity dates from March 2016 to June 2020 (2015 - February 2015 to July 2019).

3. Funds held in trust

	Balance, beginning of year	Additions	Disbursements	Balance, end of year
BCHLA funds held in trust	\$ 7,478	\$ 4,048	\$ 1,622	\$ 9,904

The Society has an agreement with BC Healthy Living Alliance to be its fiscal agent effective March 15, 2013 and until such time as both parties agree to a change. The Society receives a monthly fee for its service.

BC Healthy Living Alliance receives funding from various sources to support healthy living initiatives and to promote physical activity.

Canadian Cancer Society - Société Canadienne du Cancer

Notes to Financial Statements

(in thousands of dollars)

Year ended January 31, 2016

4. Long-term investments

These investments are recorded at fair value based on year-end quoted market prices of the underlying assets and comprise the following:

	2016	2015
Pooled funds:		
Money market	\$ 1,075	\$ 1,404
Fixed income	19,119	26,108
Canadian equity	4,794	6,340
Global equity	2,454	3,058
Balanced	7,973	10,353
Other	403	87
	\$ 35,818	\$ 47,350

Long-term investments are in a managed portfolio of pooled funds. The stated interest rates for the underlying assets in the fixed income securities vary from 1.25% to 9.98% (2015 - 1.00% to 9.98%) and the maturity dates range from February 2016 to September 2049 (2015 - June 2015 to September 2049).

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 1.75% (2015 - 1.75% to 5.00%) and maturity dates to January 2017 (2015 - July 2015 to January 2017).

5. Intangible assets

	2016	2015
Cost	\$ 1,619	\$ 1,619
Accumulated amortization	(343)	(314)
	\$ 1,276	\$ 1,305

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 \$145 (2015 - \$164) 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.

Canadian Cancer Society - Société Canadienne du Cancer
Notes to Financial Statements
(in thousands of dollars)
Year ended January 31, 2016

6. Capital assets

			2016		2015	
	Cost	Accumulated amortization	Net book value	Net book value		
Land	\$ 4,721	\$ -	\$ 4,721	\$ 4,721		
Buildings	51,998	21,937	30,061	31,115		
Furniture and fixtures	4,627	4,335	292	365		
Office equipment including computer hardware and software	12,952	11,967	985	985		
Vehicles	483	388	95	80		
Leasehold improvements	1,985	1,532	453	621		
Construction in progress	4,203	-	4,203	293		
	\$ 80,969	\$ 40,159	\$ 40,810	\$ 38,180		

Construction in progress of \$4,203 (2015 - \$293) represents costs incurred to date on the expansion of the Nova Scotia lodge, that is not available for use, therefore no depreciation is being recorded.

7. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$204 (2015 - \$217) relating to federal and provincial sales taxes, payroll taxes, health taxes and workers' safety insurance.

8. Deferred contributions

	Balance, beginning of year	Additions	Disbursements	Balance, end of year
Camps and lodges	\$ 624	\$ 3,978	\$ 3,666	\$ 936
Government and other sponsored projects	1,695	6,647	6,487	1,855
Other	945	4,275	4,265	955
	\$ 3,264	\$ 14,900	\$ 14,418	\$ 3,746

Canadian Cancer Society - Société Canadienne du Cancer

Notes to Financial Statements

(in thousands of dollars)

Year ended January 31, 2016

9. Deferred revenue

	Balance, beginning of year	Additions	Disbursements	Balance, end of year
Lotteries	\$ 3,336	\$ 2,454	\$ 3,336	\$ 2,454
Special events and other	1,936	1,837	2,050	1,723
	\$ 5,272	\$ 4,291	\$ 5,386	\$ 4,177

10. Credit facilities

The Society has available a credit facility for an authorized amount of \$755. The purpose of this credit facility was to finance the purchase and renovation of an office building. The credit facility is secured by a collateral mortgage against the building, which has a carrying value of \$1,128 (2015 - \$1,206).

The credit facility is repayable in monthly principal and interest payments of \$7, bearing interest at the lender's prime lending rate. The credit facility matures on October 26, 2016, at which time any outstanding balance is to be fully repaid.

The Society also has available an operating overdraft facility of \$500 to fund general operating activities. Interest is payable at the lender's prime lending rate. General security for the overdraft facility includes resolutions and approval authorizing the borrowing. As of January 31, 2016, there are no borrowings under the operating overdraft facility.

The Society has entered into a demand operating 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 the lesser of (i) \$14,000 and (ii) a defined proportion of the Society's unrestricted long-term investments plus \$500. The Facility carries a fee of 0.45% per annum on any drawn amounts. As at January 31, 2016, the Society had three letters of credit outstanding totalling \$4,498 with expiry dates from July 15 to July 22, 2016.

The Facility is secured by a general security agreement on all the assets of the Society. In addition, the Society has pledged a portion of its unrestricted long-term investments as collateral for any letters of credit issued. The carrying value of the pledged portion of unrestricted long-term investments is \$9,334 (2015 - \$19,346). Withdrawals by the Society from the pledged long-term investments must be approved by the bank.

Canadian Cancer Society - Société Canadienne du Cancer
Notes to Financial Statements
(in thousands of dollars)
Year ended January 31, 2016

11. Employee future benefit plans

(a) Defined benefit pension liability is as follows:

	2016	2015
Defined benefit obligation	\$ 138,380	\$ 144,367
Fair value of plan assets	113,850	111,302
Defined benefit pension liability	\$ 24,530	\$ 33,065

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.

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

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

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

12. Externally restricted resources

Externally restricted resources consist of capital campaign funds received of \$8,631 (2015 - \$9,411) and endowments, totalling \$10,715 (2015 - \$10,971).

13. Invested in capital assets

The amount invested in capital assets is computed as follows:

	2016	2015
Intangible assets (note 5)	\$ 1,276	\$ 1,305
Capital assets (note 6)	40,810	38,180
Credit facility (note 10)	(400)	(472)
	\$ 41,686	\$ 39,013

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14. Employee future benefits

The employee future benefits resource balance is computed as follows:

	2016	2015
Defined pension benefit liability	\$ 24,530	\$ 33,065
Defined benefit liability for post-retirement benefits other than pensions	29,232	31,341
	\$ 53,762	\$ 64,406

15. Internally restricted resources

The internally restricted resource balance is comprised of the following reserves:

	2016	2015
Research	\$ 25,954	\$ 34,028
Operating	19,318	21,831
Capital projects	5,252	5,032
Pension	14,313	4,958
Other	1,811	2,973
	\$ 66,648	\$ 68,822

For the year ended January 31, 2016, appropriations amongst unrestricted and internally restricted resources were approved by the Board of Directors. Funds were appropriated from unrestricted resources to internally restricted resources to ensure proper segregation of funds related to specific Board-approved initiatives.

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16. Commitments

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

	Premises	Equipment and other	Total
2017	\$ 3,176	\$ 549	\$ 3,725
2018	2,455	614	3,069
2019	1,491	495	1,986
2020	748	242	990
2021	392	221	613
Thereafter	10	440	450
	\$ 8,272	\$ 2,561	\$ 10,833

As at January 31, 2016, the Society is financially responsible for the payout of a \$4,683 (2015 - \$4,482) lottery prize pool.

As at January 31, 2016, the Board of Directors has awarded research grants and program funding totalling \$72,270 (2015 - \$82,424), 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:

2017	\$ 35,889
2018	19,841
2019	10,236
2020	5,196
2021	1,108
	\$ 72,270

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17. Lotteries

The Society conducts charitable lotteries in accordance with provincial regulations. The net proceeds are used by the Society for mission-related expenditures. The financial results were as follows:

	2016	2015
Revenue	\$ 22,107	\$ 32,417
Expenditures		
Prizes	9,107	14,473
Marketing and other	5,288	10,655
	14,395	25,128
	\$ 7,712	\$ 7,289

18. Income from investments measured at fair value

Income earned is reported as follows:

	2016	2015
Net (decrease) increase in fair value of investments	\$ (3,330)	\$ 2,424
Interest and dividends income	3,156	3,781
Realized gains	840	474
Total investment income	\$ 666	\$ 6,679
	2016	2015
Income earned on unrestricted resources		
- recognized in the operations fund	\$ 688	\$ 5,315
(Loss) income earned on restricted resources		
- recognized in the restricted fund	(22)	1,364
Total investment income	\$ 666	\$ 6,679

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19. 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:

- (a) 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 expenditures (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.

- (b) 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.

20. Related party transactions

The Society has abided by its Code of Conduct which governs conflicts of interest for its Board of Directors, research grant panel members and senior management.

During the fiscal year ended January 31, 2016, one member (2015 – two) of the Board of Directors was recipient of research funding through the Society's normal competitive research grant process. This included \$321 (2015 - \$50) for programs for which they are directly responsible and \$85 (2015 - \$57) for programs in which they participate.

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21. Allocated expenditures

Administration expenditures, including human resources, information technology, facilities and finance department, have been allocated as follows:

	2016	2015
Programs	\$ 7,130	\$ 7,045
Research	990	1,167
Advocacy	1,393	1,431
Fundraising – direct	187	110
Fundraising – indirect	6,583	6,640
Administration	886	827

No fundraising costs have been allocated.

22. 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

The Society is exposed to interest rate risk on its fixed interest rate financial instruments. The fair value of fixed income securities will generally increase if interest rates fall and decrease if interest rates rise. Changes in interest rates may also affect the fair value of equity securities. Further details about the fixed rate investments are included in notes 3 and 4. There has been no change to the risk exposure from 2015.

(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 2015.

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22. Financial risks (continued)

(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 mitigate this risk by limiting concentration levels. There has been no change to the risk exposures from 2015.

(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 2015.

(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 2015.

23. Comparative figures

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2016 financial statements.