Grant Thornton

Financial Statements of

Canadian Cancer Society - Société Canadienne du Cancer

Year ended January 31, 2020

Contents

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 Members of Canadian Cancer Society - Société Canadienne du Cancer

Qualified Opinion

We have audited the financial statements of Canadian Cancer Society – Société Canadienne du Cancer (the "CCS"), which comprise the statement of financial position as at January 31, 2020, 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 CCS as at January 31, 2020, 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 CCS derives revenue from fundraising activities, which includes individual donations, corporate and planning giving, 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 CCS. Therefore, we were not able to determine whether any adjustments might be necessary to revenue from fundraising activities, excess of revenue over expenses, and cash flows from operations for the years ended January 31, 2020 and January 31, 2019, current assets as at January 31, 2020 and January 31, 2019, and net assets as at February 1, 2019 and February 1, 2018 and January 31, 2020 and January 31, 2019. Our audit opinion on the financial statements for the year ended January 31, 2019 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 CCS 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 CCS'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 CCS or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the CCS'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 CCS'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 CCS'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 CCS 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.

Grant Thornton LLP

Toronto, Canada
June 19, 2020

Chartered Professional Accountants
Licensed Public Accountants

Canadian Cancer Society - Société Canadienne du Cancer
Statement of Financial Position

(in thousands of dollars)
As at January 31

		2020		2019
Assets				
Current assets:				
Cash	**$**	**56,776**	$	53,495
Short-term investments (note 2)		**18,115**		17,477
Accounts receivable		**4,391**		2,400
Prepaid expenses		**2,504**		2,264
		81,786		75,636
Long-term investments (note 3)		**82,733**		73,961
Intangible assets (note 4)		**1,162**		1,190
Capital assets (note 5)		**40,494**		38,434
	$	**206,175**	$	189,221
Liabilities and Fund Balances				
Current liabilities:				
Accounts payable and accrued liabilities (note 6)	**$**	**9,377**	$	6,045
Research grants payable		**8,968**		3,863
Deferred revenue (note 7)		**18,364**		19,178
		36,709		29,086
Defined benefit pension liability (note 9(a))		**15,433**		11,778
Defined benefit liability for post-retirement benefits other than pensions (note 9(b))		**30,888**		27,244
Other long-term liabilities		**771**		632
		83,801		68,740
Fund Balances:				
Externally restricted fund (note 10)		**5,398**		13,314
Operations fund				
Invested in intangible and capital assets (note 11 (a))		**41,656**		39,624
Employee future benefits (note 11(b))		**(46,321)**		(39,022)
Internally restricted (note 11 (c))		**75,320**		53,539
Unrestricted		**46,321**		53,026
		122,374		120,481
	$	**206,175**	$	189,221

Commitments (note 13)
Guarantees and contingencies (note 16)

On behalf of the Board:

_________________ Director _________________ Director

See accompanying notes to the financial statements.

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	Total
	2020	2019	**2020**	2019	**2020**	2019
Revenue:						
Individual donations	**$ 103,483**	$ 101,527	**$ 453**	$ 103	**$ 103,936**	$ 101,630
Corporate	**13,447**	14,941	**1**	-	**13,448**	14,941
Planned giving	**31,452**	29,283	**250**	1,566	**31,702**	30,849
Lotteries (note 14)	**9,841**	9,598	**-**	-	**9,841**	9,598
Government sponsored projects and grants	**12,404**	11,818	**-**	-	**12,404**	11,818
Investment income (note 15)	**9,334**	3,117	**1,108**	275	**10,442**	3,392
Other	**5,875**	5,941	**-**	-	**5,875**	5,941
	185,836	176,225	**1,812**	1,944	**187,648**	178,169
Expenses:						
Mission expenses:						
Programs	**56,338**	52,593	**143**	-	**56,481**	52,593
Research	**42,128**	40,403	**5**	5	**42,133**	40,408
Advocacy	**3,657**	3,046	**-**	-	**3,657**	3,046
	102,123	96,042	**148**	5	**102,271**	96,047
Fundraising	**57,214**	53,480	**856**	1	**58,070**	53,481
Lotteries (note 14)	**6,966**	7,042	**-**	-	**6,966**	7,042
Administration	**7,611**	6,556	**1,537**	31	**9,148**	6,587
	173,914	163,120	**2,541**	37	**176,455**	163,157
Excess (deficiency) of revenue over expenses	**$ 11,922**	$ 13,105	**$ (729)**	$ 1,907	**$ 11,193**	$ 15,012

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

	Operations Fund				Externally Restricted Fund			
	Invested in intangible and capital assets	Employee future benefits	Internally restricted	Unrestricted	Externally Restricted	Externally Restricted Centre for Cancer Prevention and Survivorship	**Total 2020**	Total 2019
Fund balances, beginning of year	$ 39,624	$ (39,022)	$ 53,539	$ 53,026	$ 10,757	$ 2,557	**$ 120,481**	$ 106,028
Excess (deficiency) of revenue over expenses	(1,722)	(1,725)	-	15,369	1,357	(2,086)	**11,193**	15,012
Employee future benefits contributions	-	3,726	-	(3,726)	-	-	**-**	-
Transfer of funds (Notes 10 and 11)	3,754	-	21,781	(18,348)	(673)	(6,514)	**-**	-
Remeasurements and other items	-	(9,300)	-	-	-	-	**(9,300)**	(559)
Fund balances, end of year	$ 41,656	$ (46,321)	$ 75,320	$ 46,321	$ 11,441	$ (6,043)	**$ 122,374**	$ 120,481

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

	2020	2019
Operating activities		
Excess of revenue over expenses	**$ 11,193**	$ 15,012
Non-cash items:		
Amortization of intangible assets	**28**	29
Amortization of capital assets	**1,694**	2,382
(Gain)/loss on capital asset disposition	**(1,343)**	36
Defined benefit pension expense	**741**	738
Post-retirement benefits expense	**984**	926
(Gain)/loss on short-term investments	**(5)**	71
Gain on long-term investments	**(6,178)**	(99)
Other income	**-**	(50)
Employer defined benefit pension contributions	**(2,430)**	(4,165)
Employer post-retirement benefits contributions	**(1,296)**	(1,246)
Change in non-cash operating working capital (note 19)	**5,531**	(906)
	8,919	12,728
Investing activities		
Capital asset additions (net)	**(2,411)**	(2,705)
Net purchase of short-term investments	**(633)**	(2,923)
Purchase of long-term investments	**(2,832)**	(3,645)
Proceeds on sale of long-term investments	**238**	3,089
	(5,638)	(6,184)
Increase in cash	**3,281**	6,544
Cash - beginning of year	**53,495**	46,951
Cash - end of year	**$ 56,776**	$ 53,495

See accompanying notes to the financial statements.

The Canadian Cancer Society - Société Canadienne du Cancer ("CCS") is a registered charity incorporated under the Canada Not-for-profit Corporations Act (CNCA) as an organization without share capital. The CCS 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 CCS 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 CCS 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.

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 CCS 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 CCS's regular operations are reported as deferred revenue.

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

i. The invested in intangible and capital assets balance represents the net book value of all intangible and capital assets, less any related debt.

ii. The employee future benefits balance represents the defined benefit pension liability and the defined benefit liability for post-retirement benefits other than pensions.

iii. The internally restricted balance reports amounts that have been allocated for specific purposes by the Board of Directors of the CCS.

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

1. Significant accounting policies (continued)

(c) 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 CCS 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 CCS 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 CCS 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 CCS prohibits investment in any derivative financial instrument arrangements for leveraging or speculative purposes. The CCS may invest in derivatives to specifically hedge investment assets against currency or interest rate risk.

(d) Intangible assets:

Intangible assets consist of lump-sum payments pertaining to an agreement that began in January of 2004 which were capitalized and are being amortized over the term of the agreement, subject to early termination rights by both parties.

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. When conditions indicate a capital asset no longer contributes to the CCS's ability to provide services or that the value of future economic benefits or service potential associated with the capital asset is less than its net carrying amount, its net carrying amount is written down to its fair value or replacement cost.

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

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 donations and sponsorships 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 event takes place or when the related expenses are incurred.

(h) Employee future benefits:

(i) Pension plan:

The CCS maintains a registered pension plan with a defined benefit component and a defined contribution component, which covers substantially all employees of the CCS. 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 CCS 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 CCS 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.

1. Significant accounting policies (continued)

(h) Employee future benefits (continued):

(ii) Post-retirement benefits other than pensions:

The CCS 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 CCS after January 1, 2007 are not eligible for this benefit plan. The post-retirement benefit plan is unfunded.

The CCS accrues its obligations under the post-retirement benefit plan as the employees render the services necessary to earn the post-retirement benefits. The CCS 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 projection of the January 31, 2019 valuation.

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

1. Significant accounting policies (continued)

(i) Revenue and expenses (continued):

(i) Revenue (continued)

Endowment contributions are recognized as revenue in the year in which they are received. Endowments consist of restricted contributions received by the CCS 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.

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 (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.

1. Significant accounting policies (continued)

(i) Revenue and expenses (continued):

(ii) Expenses (continued):

- 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.

- Fundraising expenses include all costs supporting the generation of fundraising revenue to provide the means to further the CCS'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 CCS and its programs in a cost-effective manner while maximizing all opportunities to further the CCS'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 CCS'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 intangible and capital assets, and allocation of expenses. Actual results could differ from those estimates.

(in thousands of dollars)

2. Short-term investments

Short-term investments in the amount of $5,651 (2019 - $5,347) mature or are redeemable at various dates not exceeding 12 months, and with interest rates varying from 1.15% to 1.70% (2019 - 1.10% to 2.30%).

In addition, there are short-term investments in the amount of $12,464 (2019 - $12,130) managed by an independent investment manager, with interest rates varying from 1.57% to 6.5% (2019 – 1.42% to 4.50%) and with maturity dates from March 2020 to November 2027 (2019 – May 2019 to January 2029).

3. Long-term investments

		2020		2019
Pooled funds	**$**	**82,578**	$	73,884
Other investments		**155**		77
	$	**82,733**	$	73,961

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 CCS 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 1.40% to 1.55% (2019 - 1.20% to 1.55%) and maturity dates to February 2023 (2019 - to October 2020).

The pooled funds comprise the following asset classes:

	2020	2019
Fixed income	**55.72 %**	59.59 %
Canadian equity	**21.46 %**	21.14 %
Global equity	**15.08 %**	13.39 %
Money market	**7.74 %**	5.88 %

(in thousands of dollars)

4. Intangible assets

		2020		2019
Cost	**$**	**1,619**	$	1,619
Accumulated amortization		**(457)**		(429)
	$	**1,162**	$	1,190

Camp Goodtimes:

The CCS has an agreement with the University of British Columbia ("UBC") to provide the CCS 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 CCS totalling $1,619 and annual operating payments of $139 (2019 - $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 CCS.

5. Capital assets

						2020		2019
		Cost		Accumulated amortization		**Net book value**		Net book value
Land	$	4,012	$	-	**$**	**4,012**	$	4,310
Buildings		48,788		24,346		**24,442**		30,881
Furniture and fixtures		6,362		5,856		**506**		192
Office equipment		16,397		15,749		**648**		294
Art collection		20		-		**20**		20
Vehicles		653		632		**21**		48
Leasehold improvements		2,251		2,193		**58**		33
Construction in progress		7,954		-		**7,954**		1,312
Work in progress		2,833		-		**2,833**		1,344
	$	89,270	$	48,776	**$**	**40,494**	$	38,434

In 2018, the Board of Directors of the CCS approved a project to develop the Centre for Cancer Prevention and Survivorship ("CCPS"), which will be a nationwide centre of excellence conducting research and developing programming in the areas of cancer prevention and survivorship. CCPS, which is currently under construction, will be based in Vancouver and its construction is being funded in part by the Government of British Columbia, which has committed $10,000, contingent upon the achievement of certain building milestones.

(in thousands of dollars)

5. Capital assets (continued)

Construction in progress of $7,954 (2019 - $1,309) relates to costs incurred on the construction of the Centre. Work in progress of $2,833 (2019 - $1,344) 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.

6. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of $129 (2019 - $124) relating to federal and provincial sales taxes, payroll taxes, health taxes and workers' safety insurance.

7. Deferred revenue

		2020		2019
Balance, beginning of the year	**$**	**19,178**	$	16,755
Amounts received or receivable		**12,570**		12,860
Revenue recognised in the year		**(13,384)**		(10,437)
Balance, end of the year	**$**	**18,364**	$	19,178

8. Credit facilities

The CCS has entered into a credit facility agreement (the "Facility") with a Canadian chartered bank, used by the CCS 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, 2020, the CCS had no letters of credit outstanding.

(in thousands of dollars)

9. Employee future benefit plans

(a) Defined benefit pension liability is as follows:

		Registered plan		Non-registered plan		**2020**		2019
Defined benefit obligation	$	145,134	$	3,413	**$**	**148,547**	$	129,340
Fair value of plan assets		133,114		-		**133,114**		117,562
Defined benefit pension liability	$	12,020	$	3,413	**$**	**15,433**	$	11,778

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 CCS 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.

The most recent actuarial valuation of the defined benefit components of the pension plan and the non-registered supplemental pension plan was as of December 31, 2017, and the next required valuation 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 was as of January 31, 2019, and the next required valuation will be as of January 31, 2022.

10. Externally restricted fund

		Centre for Cancer Prevention and Survivorship		Other Capital Campaigns		Endowments		**2020**		2019
Balance, beginning of the year	$	2,557	$	2,167	$	8,590	**$**	**13,314**	$	11,006
Increase (decrease) in balance		(2,086)		58		1,299		**(729)**		1,907
Appropriations / transfers		(6,514)		-		(673)		**(7,187)**		401
Balance, end of the year	$	(6,043)	$	2,225	$	9,216	**$**	**5,398**	$	13,314

(in thousands of dollars)

11. Operations fund

a) Invested in capital assets

The amount invested in capital assets is computed as follows:

		2020		2019
Intangible assets (note 4)	**$**	**1,162**	$	1,190
Capital assets (note 5)		**40,494**		38,434
	$	**41,656**	$	39,624

b) Employee future benefits

The employee future benefits balance comprises the following amounts:

		2020		2019
Defined pension benefit liability (note 9(a))	**$**	**(15,433)**	$	(11,778)
Defined benefit liability for post-retirement benefits other than pensions (note 9 (b))		**(30,888)**		(27,244)
	$	**(46,321)**	$	(39,022)

c) Internally restricted

The internally restricted balance comprises the following reserves:

		Balance, beginning of year		Increase (decrease) in fund		**Balance, end of year**
Research	$	2,539	$	(1,271)	**$**	**1,268**
Operating		17,000		23,787		**40,787**
Capital projects		34,000		(735)		**33,265**
	$	53,539	$	21,781	**$**	**75,320**

During the year, $23,787 was transferred from the unrestricted balance to the internally restricted balance to fund ongoing operations.

(in thousands of dollars)

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:

		2020		2019
Programs	**$**	**29,814**	$	25,371
Research		**684**		1,136
Advocacy		**1,812**		1,667
Fundraising		**16,658**		11,855
	$	**48,968**	$	40,029

13. Commitments

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

		Premises		Equipment and other		Total
2021	$	7,056	$	61	$	7,117
2022		5,409		48		5,457
2023		5,087		29		5,116
2024		3,406		21		3,427
2025		871		6		877
Thereafter		617		-		617
	$	22,446	$	165	$	22,611

As at January 31, 2020, the Board of Directors has awarded research grants and program funding totalling $58,262 (2019 - $61,515), payment of which is expected to be made over the next four years, subject to future revenue and to certain performance conditions being met, as follows:

2021	$	27,620
2022		18,478
2023		7,715
2024		4,449
Thereafter		-
	$	58,262

(in thousands of dollars)

14. Lotteries

The CCS conducts charitable lotteries in accordance with provincial regulations. The net proceeds are used by the CCS for mission-related expenses. During the fiscal year ended January 31, 2020, 1 lottery program (2019 – 1) was held in Ontario. The financial results were as follows:

	2020	2019
Revenue	**$ 9,841**	$ 9,598
Expenses		
Prizes	**4,423**	4,253
Marketing and other	**2,543**	2,789
	6,966	7,042
	$ 2,875	$ 2,556

15. Income from investments measured at fair value

Income earned is reported as follows:

	2020	2019
Net increase/(decrease) in fair value of investments	**$ 3,668**	$ (3,633)
Interest and dividends income	**4,249**	3,364
Realized gains	**2,525**	3,661
Total investment income	**$ 10,442**	$ 3,392

	2020	2019
Income earned on unrestricted funds - recognized in the operations fund	**$ 9,334**	$ 3,117
Income earned on restricted funds - recognized in the externally restricted fund	**1,108**	275
Total investment income	**$ 10,442**	$ 3,392

16. Guarantees and contingencies

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

The CCS purchases directors' and officers' insurance. The CCS has indemnified its past, present and future directors, officers, trustees, employees, volunteers and members, who sit on any duly constituted committee of the CCS, 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 CCS, if they acted honestly and in good faith with a view of the best interests of the CCS.

The nature of these indemnification agreements prevents the CCS 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 CCS has not made any significant payments under such or similar indemnification agreements. At this time, the CCS 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 CCS 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 CCS's financial position.

17. Related party transactions

During the fiscal year ended January 31, 2020, 1 member (2019 – 1) of the Board of Directors was a recipient of research funding through the CCS's normal competitive research grant process. This included $250 (2019 - $250) for programs for which they are directly responsible and $500 (2019 - $500) for programs in which they participate.

18. Financial risks

Risk management relates to the understanding and active management of risks associated with all areas of the CCS's activities and the associated operating environment. The CCS is primarily exposed to interest rate, market, foreign currency, credit and liquidity risks.

(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 CCS’s credit facility agreement bears interest at a fixed rate. Consequently, the CCS is not subject to cash flow interest rate risk. The CCS’s short-term deposits and a portion of the long-term investments bear interest at various fixed rates and therefore are subject to fair value interest rate risk. The CCS’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 2019.

(in thousands of dollars)

18. Financial risks (continued)

(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 CCS manages this risk through controls to monitor and limit concentration levels. There has been no change to the risk exposure from 2019.

(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 CCS's investment policies mitigate this risk by limiting concentration levels. There has been no change to the risk exposures from 2019.

(d) Credit risk

The CCS is exposed to credit risk on its fixed income investments as a default by the bond issuer would cause a financial loss for the CCS. The CCS 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 2019. The CCS does not consider credit risk on its accounts receivable to be significant given the nature of the CCS's sources of revenue.

(e) Liquidity risk

Liquidity risk is the risk that the CCS will not be able to meet a demand for cash or fund its obligations as they come due. The CCS 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 2019.

19. Change in non-cash operating working capital

		2020		2019
Accounts receivable	**$**	**(1,991)**	$	4,500
Prepaid expenses		**(240)**		(1,205)
Accounts payable and accrued liabilities		**3,332**		(4,399)
Research grants payable		**5,105**		(1,855)
Deferred revenue		**(814)**		2,287
Other long-term liabilities		**139**		(234)
	$	**5,531**	$	(906)

20. Subsequent events

Amalgamation of the CCS and Prostate Cancer Canada

On February 1, 2020, the CCS amalgamated with the Prostate Cancer Canada to increase operational efficiencies and further strengthen and support cancer research, education and the needs of Canadians and their families dealing with the disease.

Prostate Cancer Canada's audited financial statements for the period from April 1, 2019 to January 31, 2020 reported total revenue of $7,281, total assets of $21,610, and net resources of $1,827. As the amalgamation is effective February 1, 2020, these numbers are not reflected in the CCS's audited financial statements as at January 31,2020.

COVID-19

Since January 1, 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, organizations and businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to organizations worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening.

Because of the pandemic, the CCS has cancelled many fundraising events and donation and investment revenue is expected to be significantly impacted. Offices have been closed and many service programs have been suspended due to the requirements of social distancing. As a response to the expected fall in revenues, steps have been taken to immediately decrease costs across the CCS.

The CCS has determined that these events are a non-adjusting subsequent event. Accordingly, the financial position and results of operations as of and for the year ended January 31, 2020 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the CCS for future periods.