

Financial Statements

Canadian Cancer Society -
Société Canadienne du Cancer

Year ended January 31, 2023

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Independent Auditor's Report

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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 (CCS), which comprise the statement of financial position as at January 31, 2023, the statement 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 CCS as at January 31, 2023, 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, CCS derives revenue from fundraising activities, which includes individual donations, corporate and planned 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 CCS. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, (deficiency) excess of revenue over expenses, and cash flows from operations for the years ended January 31, 2023 and January 31, 2022, current assets as at January 31, 2023 and January 31, 2022, and net assets as at February 1, 2022 and February 1, 2021 and January 31, 2023 and January 31, 2022. Our audit opinion on the financial statements for the year ended January 31, 2022 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 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 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 CCS or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing 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 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 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 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.

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

Toronto, Canada
June 15, 2023

Chartered Professional Accountants
Licensed Public Accountants

Canadian Cancer Society - Société Canadienne du Cancer

Statement of Financial Position

(in thousands of dollars)

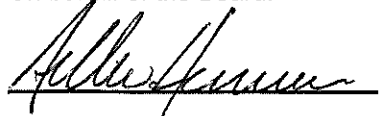
As at January 31

| | 2023 | 2022 |
|---|-------------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 41,183 | \$ 66,062 |
| Investments (note 2) | 144,184 | 121,086 |
| Accounts receivable | 6,066 | 5,688 |
| Prepaid expenses | 2,011 | 1,875 |
| | 193,444 | 194,711 |
| Intangible assets (note 3) | 1,076 | 1,104 |
| Capital assets (note 4) | 56,902 | 58,731 |
| | \$ 251,422 | \$ 254,546 |
| Liabilities and Fund balances | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 5) | \$ 11,636 | \$ 16,394 |
| Research grants payable | 37,064 | 25,269 |
| Deferred contributions (note 6) | 25,427 | 27,753 |
| | 74,127 | 69,416 |
| Defined benefit pension liability (note 8(a)) | 4,356 | 6,994 |
| Defined benefit liability for post-retirement benefits other than pensions (note 8(b)) | 19,545 | 22,984 |
| Other long-term liabilities | 76 | 185 |
| | 98,104 | 99,579 |
| Fund balances: | | |
| Operations fund | | |
| Invested in intangible and capital assets (note 9(a)) | 57,978 | 59,835 |
| Internally restricted (note 9(b)) | | |
| Operating | 41,836 | 43,090 |
| Research | 31,140 | 29,147 |
| Capital and technology | 7,500 | 7,500 |
| Unrestricted | 3,500 | 3,500 |
| Externally restricted fund (note 10) | 11,364 | 11,895 |
| | 153,318 | 154,967 |
| | \$ 251,422 | \$ 254,546 |

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 | |
|---|-------------------|------------------|----------------------------|-----------------|-------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Revenue: | | | | | | |
| Individual donations | \$ 89,268 | \$ 83,177 | \$ 509 | \$ 2,067 | \$ 89,777 | \$ 85,244 |
| Corporate | 9,045 | 10,121 | - | 140 | 9,045 | 10,261 |
| Planned giving | 30,543 | 32,672 | - | 190 | 30,543 | 32,862 |
| Lotteries (note 14) | 10,269 | 11,219 | - | - | 10,269 | 11,219 |
| Government sponsored projects and grants | 17,382 | 16,678 | - | 2,500 | 17,382 | 19,178 |
| COVID-19 related government assistance | 508 | 4,947 | - | - | 508 | 4,947 |
| Investment income (note 15) | 6,774 | 4,272 | 551 | 410 | 7,325 | 4,682 |
| Program user fees and other income | 3,667 | 2,951 | - | - | 3,667 | 2,951 |
| | 167,456 | 166,037 | 1,060 | 5,307 | 168,516 | 171,344 |
| Expenses: | | | | | | |
| Mission expenses: | | | | | | |
| Programs | 55,977 | 50,678 | 2 | - | 55,979 | 50,678 |
| Research | 50,056 | 44,304 | - | 26 | 50,056 | 44,330 |
| Advocacy | 3,651 | 2,796 | - | - | 3,651 | 2,796 |
| | 109,684 | 97,778 | 2 | 26 | 109,686 | 97,804 |
| Fundraising | 39,711 | 35,533 | 14 | 305 | 39,725 | 35,838 |
| Lotteries (note 14) | 7,571 | 7,467 | - | - | 7,571 | 7,467 |
| Administration | 8,549 | 7,718 | 101 | 935 | 8,650 | 8,653 |
| | 165,515 | 148,496 | 117 | 1,266 | 165,632 | 149,762 |
| Excess of revenue over expenses before undernoted item | 1,941 | 17,541 | 943 | 4,041 | 2,884 | 21,582 |
| Unrealized (losses) gains on investments (note 15) | (7,049) | 348 | (718) | 179 | (7,767) | 527 |
| (Deficiency) excess of revenue over expenses | \$ (5,108) | \$ 17,889 | \$ 225 | \$ 4,220 | \$ (4,883) | \$ 22,109 |

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

| | Invested in intangible and capital assets | Operations fund | | Externally restricted fund | | Total | |
|--|---|--------------------------|--------------|----------------------------|------------|------------|--|
| | | Internally restricted | Unrestricted | Externally restricted | 2023 | 2022 | |
| Fund balances, beginning of year | \$ 59,835 | \$ 79,737 | \$ 3,500 | \$ 11,895 | \$ 154,967 | \$ 124,132 | |
| (Deficiency) excess of revenue over expenses | (4,046) | - | (1,062) | 225 | (4,883) | 22,109 | |
| Investment in intangible and capital assets | 2,189 | - | (2,189) | - | - | - | |
| Transfer of funds (notes 9(b) and 10) | - | 739 | 17 | (756) | - | - | |
| Remeasurement of defined benefit pension liability | - | - | 256 | - | 256 | 1,977 | |
| Remeasurement of defined benefit liability for post-retirement benefits other than pensions | - | - | 2,978 | - | 2,978 | 6,749 | |
| Fund balances, end of year | \$ 57,978 | \$ 80,476 | \$ 3,500 | \$ 11,364 | \$ 153,318 | \$ 154,967 | |

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

| | 2023 | 2022 |
|--|------------------|------------------|
| Operating activities | | |
| (Deficiency) excess of revenue over expenses | \$ (4,883) | \$ 22,109 |
| Non-cash items: | | |
| Amortization of intangible assets | 28 | 29 |
| Amortization of capital assets | 4,018 | 3,115 |
| Defined benefit pension expense | 622 | 676 |
| Post-retirement benefits expense | 739 | 771 |
| Loss (gain) on investments | 2,002 | (2,145) |
| Deferred contributions recognized (note 6) | (69,150) | (73,017) |
| Employer defined benefit pension contributions | (3,004) | (4,362) |
| Employer post-retirement benefits contributions | (1,200) | (1,324) |
| Decrease in other long-term liabilities | (109) | (217) |
| Change in non-cash operating working capital (note 19) | 73,347 | 77,503 |
| | 2,410 | 23,138 |
| Investing activities | | |
| Capital asset additions | (2,189) | (7,898) |
| Proceeds on sale of investments | 5,100 | 317 |
| Purchase of investments | (30,200) | (12,681) |
| | (27,289) | (20,262) |
| (Decrease) increase in cash | (24,879) | 2,876 |
| Cash, beginning of year | 66,062 | 63,186 |
| Cash, end of year | \$ 41,183 | \$ 66,062 |

Canadian Cancer Society - Société Canadienne du Cancer

Notes to the Financial Statements

(in thousands of dollars)

January 31, 2023

The Canadian Cancer Society - Société Canadienne du Cancer (CCS) is a national charity whose purpose is to unite and inspire all Canadians to take control of cancer. CCS strives to achieve this by working in trusted partnership with donors and volunteers to continuously improve impact through cancer research, advocacy and support services.

CCS is a registered charity incorporated under the Canada Not-for-profit Corporations Act (CNCA) as an organization without share capital and 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 (ASNPO).

(b) Fund accounting:

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 CCS's regular operations are reported in the operations fund as deferred contributions.

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

- (i) Invested in intangible and capital assets representing the net book value of all intangible and capital assets, less any related debt.
- (ii) Internally restricted representing amounts that have been allocated for specific purposes by the Board of Directors.
- (iii) Unrestricted representing CCS's research, programs, advocacy, fundraising, and administration activities not accounted for in other balances

(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. CCS has elected to carry its investments at fair value. Transaction costs incurred on the acquisition of financial instruments subsequently measured 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, 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 CCS expects to realize by exercising its right to any collateral.

Canadian Cancer Society - Société Canadienne du Cancer

Notes to the Financial Statements

(in thousands of dollars)
January 31, 2023

1. Significant accounting policies (continued)

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

The investment policy of CCS prohibits investment in any derivative financial instrument arrangements for leveraging or speculative purposes. 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 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 - 5 years |
| Vehicles | 3 years |
| Leasehold improvements | Lesser of lease term and useful life |

Work in progress consisting of lodge renovations, office improvements and costs incurred on website upgrades to be launched at a later date will be transferred to the appropriate capital asset category upon completion and amortized based on the appropriate useful life.

(f) Research grants payable:

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 position only reflects grants payable to the extent grantees have met the performance criteria during the current fiscal year.

Research grants are expensed in the period as outlined in the funding agreements.

Canadian Cancer Society - Société Canadienne du Cancer

Notes to the Financial Statements

(in thousands of dollars)
January 31, 2023

1. Significant accounting policies (continued)

(g) Deferred contributions:

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 and are recognized as revenue when the related expenses are incurred.

(h) Employee future benefits:

(i) Pension plan:

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

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.

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, 2021 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:

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

CCS accrues its obligations under the post-retirement benefit plan as the employees render the services necessary to earn the post-retirement benefits. 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 actuarial valuation as at January 31, 2022.

Canadian Cancer Society - Société Canadienne du Cancer

Notes to the Financial Statements

(in thousands of dollars)
January 31, 2023

1. Significant accounting policies (continued)

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 unrestricted contributions is recognized on a cash basis, with no accrual being made for amounts pledged but not received.

Endowment and externally restricted contributions for which an externally restricted fund exists are recognized as revenue in the externally restricted fund in the year in which they are received. Endowments consist of restricted contributions received by CCS where the principal gift is required to be maintained intact and investment income is used in accordance with the purposes established by the donors. Other externally restricted contributions consist of contributions received by CCS for capital projects. Restricted contributions received for which no fund exists are deferred and recognized when used in accordance with the intended purpose.

CCS recognizes grants, including government assistance, towards current expenses in the statement of financial activities when received or receivable. When government assistance relates to expenses of a future period, CCS defers recognition until the period in which the related expenses are incurred. If grants are received prior to the period when the related expenses are incurred, the grants are recorded as deferred contributions in the statement of financial position.

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 unrealized (losses) gains on investments in the statement of financial activities.

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

Revenue from lotteries is recognized upon completion of the lottery.

Canadian Cancer Society - Société Canadienne du Cancer

Notes to the Financial Statements

(in thousands of dollars)
January 31, 2023

1. Significant accounting policies (continued)

(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 11). A policy exists that enforces the annual review and approval of the basis of 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 cancer prevention services such as smoking cessation programs and healthy living programs, help managing life with cancer by providing cancer information, lodging, transportation, financial assistance, wigs/prosthesis and help finding other community resources. CCS also provides safe places for community and connection for people with cancer and their loved ones through our online community CancerConnection.ca and through Camp Goodtimes.
- Research expenses include 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.
- Advocacy expenses include 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 CCS's mission. Fundraising expenses include costs related to the lotteries, which are costs related to prizes awarded, marketing and other expenses.

Canadian Cancer Society - Société Canadienne du Cancer

Notes to the Financial Statements

(in thousands of dollars)
January 31, 2023

1. Significant accounting policies (continued)

- Administration expenses are incurred to operate CCS and its programs in a cost-effective manner while maximizing all opportunities to further CCS's mission. These include expenses related to human resources, information technology, facilities, finance and 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.

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 carrying amount of intangible and capital assets, employee future benefits and allocation of expenses. Actual results could differ from those estimates.

2. Investments

| | 2023 | 2022 |
|-------------------|-------------------|-------------------|
| Pooled funds | \$ 113,949 | \$ 115,935 |
| Other investments | 30,235 | 5,151 |
| | \$ 144,184 | \$ 121,086 |

Investments have been placed in an independently managed portfolio of pooled funds, which can be promptly liquidated if required. Pooled fund 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 guaranteed investment certificates and other fixed income securities, which mature or are redeemable at various dates not exceeding 12 months and have stated interest rates varying from 1.93% to 5.40% (2022 - 0.40% to 1.55%).

Canadian Cancer Society - Société Canadienne du Cancer

Notes to the Financial Statements

(in thousands of dollars)

January 31, 2023

2. Investments (continued)

The pooled funds comprise the following asset classes:

| | 2023 | 2022 |
|-----------------|--------|--------|
| Fixed income | 67.24% | 63.59% |
| Canadian equity | 13.53% | 19.18% |
| Global equity | 6.24% | 9.83% |
| Money market | 12.99% | 7.40% |

3. Intangible assets

| | 2023 | 2022 |
|--------------------------|----------|----------|
| Cost | \$ 1,619 | \$ 1,619 |
| Accumulated amortization | (543) | (515) |
| | \$ 1,076 | \$ 1,104 |

Camp Goodtimes:

CCS has an agreement with the University of British Columbia (UBC) to provide 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 CCS totalling \$1,619 and annual operating payments of \$139 (2022 - \$Nil) 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 CCS.

4. Capital assets

| | | | 2023 | 2022 |
|---|------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Land | \$ 4,012 | \$ - | \$ 4,012 | \$ 4,012 |
| Buildings | 75,318 | 28,724 | 46,594 | 46,823 |
| Furniture, fixtures, and office equipment | 31,933 | 26,610 | 5,323 | 6,397 |
| Vehicles | 689 | 662 | 27 | 6 |
| Leasehold improvements | 2,382 | 2,237 | 145 | 155 |
| Work in progress | 801 | - | 801 | 1,338 |
| | \$ 115,135 | \$ 58,233 | \$ 56,902 | \$ 58,731 |

Canadian Cancer Society - Société Canadienne du Cancer

Notes to the Financial Statements

(in thousands of dollars)
January 31, 2023

4. Capital assets (continued)

Work in progress of \$801 (2022 - \$1,338) relates to lodge renovations, office improvements and costs incurred on website upgrades to be launched in the following year. These assets are not available for use and therefore, no amortization is being recorded.

5. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$170 (2022 - \$90) relating to federal and provincial sales taxes, payroll taxes, health taxes and workers' safety insurance.

6. Deferred contributions

| | 2023 | 2022 |
|--------------------------------|-----------|-----------|
| Balance, beginning of the year | \$ 27,753 | \$ 34,212 |
| Amounts received or receivable | 66,824 | 66,558 |
| Revenue recognized in the year | (69,150) | (73,017) |
| Balance, end of the year | \$ 25,427 | \$ 27,753 |

7. Credit facilities

CCS has entered into a credit facility agreement (the Facility) with a Canadian chartered bank, used by 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 of January 31, 2023, CCS had letters of credit in the amount of \$649 (2022 - \$415) outstanding.

8. Employee future benefit plans

(a) Defined benefit pension liability is as follows:

| | Registered plan | Non-registered plan | 2023 | 2022 |
|-----------------------------------|-----------------|---------------------|-----------|-----------|
| Defined benefit obligation | \$ 22,313 | \$ 2,675 | \$ 24,988 | \$ 64,480 |
| Fair value of plan assets | 20,632 | - | 20,632 | 57,486 |
| Defined benefit pension liability | \$ 1,681 | \$ 2,675 | \$ 4,356 | \$ 6,994 |

Canadian Cancer Society - Société Canadienne du Cancer

Notes to the Financial Statements

(in thousands of dollars)
January 31, 2023

8. Employee future benefit plans (continued)

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 discount rate assumption used in determining the defined benefit obligation for pension plans is selected based on a review of current market interest rates of high-quality corporate bonds with cash flows that match the timing and amount of expected benefit payments. The discount rate applied for the year ended January 31, 2023 was 4.7% (2022 – 3.4%).

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.

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, 2021, and the next required valuation will be as of December 31, 2024.

During the fiscal year ended January 31, 2022, CCS entered into agreements with various insurers to convert all previously held buy-in annuity contracts under the defined benefit pension plan (the Plan) to buy-out annuity contracts effective May 1, 2021. Under the terms of the buy-out annuity contracts, the contractual obligation to retirees and their beneficiaries is transferred to the insurer and the insurers assumed the obligations and began to pay the pensions on May 1, 2021.

During the fiscal year ended January 31, 2023, a buyout annuity was purchased from Canada Life Assurance Company for a price of \$32,479 in order to provide for pensions and deferred pensions for members meeting certain criteria under the Plan. The Canada Life Assurance Company assumed pension payments starting July 1, 2022. Members who do not meet the criteria for the buy-out annuity continue to receive regular pension payments from the Plan.

The discharge plan is being implemented in compliance with the requirements of the regulator, the Financial Services Regulatory Authority of Ontario (FSRAO), and other governmental authorities responsible for the Plan supervision. The Plan received the approval of FSRAO for a final and definitive settlement of benefits under section 43.1 (5) of the Ontario Pension Benefits Act, subject to applicable provincial legislations, for all members affected by the conversion of buy-in annuity contracts to buy-out annuity contracts in 2021, and for the purchase of buy-out annuities in 2022.

(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 discount rate assumption used in determining the defined benefit obligation for post-retirement benefits other than pensions is selected based on a review of current market interest rates of high-quality corporate bonds with cash flows that match the timing and amount of expected benefit payments. The discount rate applied for the year ended January 31, 2023 was 4.7% (2022 – 3.3%)

The most recent actuarial valuation of the post-retirement benefit plan was as of January 31, 2022, and the next required valuation will be as of January 31, 2025.

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9. Operations fund

- a) Invested in intangible and capital assets

The amount invested in intangible and capital assets comprises the following amounts:

| | 2023 | 2022 |
|----------------------------|------------------|-----------|
| Intangible assets (note 3) | \$ 1,076 | \$ 1,104 |
| Capital assets (note 4) | 56,902 | 58,731 |
| | \$ 57,978 | \$ 59,835 |

- b) Internally restricted

The internally restricted balance comprises the following reserves:

| | Operating | Research | Capital and technology | 2023 | 2022 |
|----------------------------|------------------|-----------|---------------------------|------------------|-----------|
| Balance, beginning of year | \$ 43,090 | \$ 29,147 | \$ 7,500 | \$ 79,737 | \$ 71,298 |
| Transfers | (1,254) | 1,993 | - | 739 | 8,439 |
| Balance, end of the year | \$ 41,836 | \$ 31,140 | \$ 7,500 | \$ 80,476 | \$ 79,737 |

- (i) An operating fund is held to address operational requirements. In the year, the Board of Directors approved a transfer out of (\$1,254) (2022 – \$4,481) bringing the total to \$41,836.
- (ii) The Board of Directors approved a transfer of \$1,993 (2022 - \$28,897) to the research fund to bring the total to \$31,140 to ensure funding for a portion of future research commitments equal to one subsequent year's grant commitment as determined at each year-end
- (iii) The capital and technology fund is for future transformational digital and technology and other capital projects and maintains a balance of \$7,500

10. Externally restricted fund

| | Capital campaigns | Endowments | 2023 | 2022 |
|--------------------------------|----------------------|------------|------------------|------------|
| Balance, beginning of the year | \$ 2,194 | \$ 9,701 | \$ 11,895 | \$ (2,247) |
| Net contributions (expenses) | 396 | (171) | 225 | 4,220 |
| Transfers | (485) | (271) | (756) | 9,922 |
| Balance, end of the year | \$ 2,105 | \$ 9,259 | \$ 11,364 | \$ 11,895 |

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11. Allocation of expenses

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

The administrative expenses which have been allocated impact the following expense categories:

| | 2023 | 2022 |
|-------------|-----------|-----------|
| Programs | \$ 20,916 | \$ 19,131 |
| Research | 1,036 | 749 |
| Advocacy | 1,435 | 1,073 |
| Fundraising | 9,004 | 8,685 |
| | \$ 32,391 | \$ 29,638 |

12. Ontario Smokers' Helpline

Ontario Smokers' Helpline is a confidential service operated by CCS and funded by the Ontario provincial government offering support and information about quitting smoking and tobacco use. The program provides evidence-based, non-judgemental smoking cessation support by phone, online, text message, and social media. During the fiscal year, program revenue and expenditures of \$713 (2022 - \$683) were recognized by CCS.

13. Commitments

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

| | Premises | Equipment and other | Total |
|------------|-----------|------------------------|-----------|
| 2024 | \$ 3,944 | \$ 21 | \$ 3,965 |
| 2025 | 2,188 | 6 | 2,194 |
| 2026 | 1,955 | - | 1,955 |
| 2027 | 1,499 | - | 1,499 |
| 2028 | 1,459 | - | 1,459 |
| Thereafter | 5,283 | - | 5,283 |
| | \$ 16,328 | \$ 27 | \$ 16,355 |

Subsequent to year-end, CCS negotiated a 10-year renewal for the Toronto National office and has been included in premises commitments above.

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13. Commitments (continued)

In addition, as at January 31, 2023, CCS has awarded research grants and program funding totalling \$77,164 (2022 - \$74,490), of which \$31,140 is covered by the research reserve. All funding is subject to future revenue and to certain performance conditions being met.

| | | |
|------|----|--------|
| 2024 | \$ | 31,140 |
| 2025 | | 18,907 |
| 2026 | | 18,128 |
| 2027 | | 8,989 |
| | \$ | 77,164 |

14. Lotteries

CCS conducts charitable lotteries in accordance with provincial regulations. The net proceeds are used by CCS for mission-related expenses. During the fiscal year ended January 31, 2023, two lottery programs (2022 - two) were held in Ontario. The financial results were as follows:

| | 2023 | 2022 |
|---------------------|-----------|-----------|
| Revenue | \$ 10,269 | \$ 11,219 |
| Expenses | | |
| Prizes | 4,719 | 4,596 |
| Marketing and other | 2,852 | 2,871 |
| | 7,571 | 7,467 |
| | \$ 2,698 | \$ 3,752 |

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15. Income from investments measured at fair value

Income earned is reported as follows:

| | 2023 | | 2022 |
|---------------------------------------|-----------------|-----------|--------------|
| Unrealized (losses) gains | \$ (7,767) | \$ | 527 |
| Interest and dividends income | 4,259 | | 3,067 |
| Realized gains | 3,066 | | 1,615 |
| Total investment (loss) income | \$ (442) | \$ | 5,209 |

| | 2023 | | 2022 |
|--|-----------------|-----------|--------------|
| (Loss) income earned on unrestricted funds | | | |
| - recognized in the operations fund | \$ (275) | \$ | 4,620 |
| (Loss) income earned on restricted funds | | | |
| - recognized in the externally restricted fund | (167) | | 589 |
| Total investment (loss) income | \$ (442) | \$ | 5,209 |

16. Guarantees and contingencies

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

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

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 CCS's financial position.

17. Related party transactions

During the fiscal year ended January 31, 2023, 2 members (2022 - 3) of the Board of Directors were recipients of research funding through CCS's normal competitive research grant process. This included \$386 (2022 - \$389) for programs for which they are directly responsible and \$250 (2022 - \$662) for programs in which they participate.

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18. Financial risks

Risk management relates to the understanding and active management of risks associated with all areas of CCS's activities and the associated operating environment. CCS is primarily exposed to the following financial risks: 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 collateral for CCS's credit facility agreement for letters of credit is a variable rate guaranteed investment certificate. CCS's short-term deposits and a portion of investments bear interest at various fixed rates and therefore are subject to fair value interest rate risk. CCS's other financial instruments are non-interest bearing. There has been no change to the risk exposure from 2022.

(b) Market risk

Market risk is the risk that 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. CCS's investment in pooled funds are subject to market risk as a result of the securities in which the pooled funds are invested. CCS manages this risk through controls to monitor and limit concentration levels. There has been no change to the risk exposure from 2022.

(c) Foreign currency risk

Foreign currency risk is the risk that 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. CCS's investment policies mitigate this risk by limiting concentration levels. There has been no change to the risk exposure from 2022.

(d) Credit risk

Credit risk arises from the potential that the counterparty will fail to discharge its obligations. CCS is exposed to credit risk on its fixed income investments as a default by the bond issuer would cause a financial loss for CCS. 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 exposure since 2022. CCS does not consider credit risk on its accounts receivable to be significant given the nature of CCS's sources of revenue.

(e) Liquidity risk

Liquidity risk is the risk that CCS will not be able to meet a demand for cash or fund its obligations as they come due. 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 exposure since 2022.

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19. Change in non-cash operating working capital

| | 2023 | | 2022 |
|--|------------------|----|---------------|
| Accounts receivable | \$ (378) | \$ | 3,523 |
| Prepaid expenses | (136) | | 430 |
| Accounts payable and accrued liabilities | (4,758) | | 2,911 |
| Research grants payable | 11,795 | | 4,081 |
| Deferred contributions | 66,824 | | 66,558 |
| | \$ 73,347 | \$ | 77,503 |

20. Comparative figures

Comparative figures have been adjusted to conform to the current year presentation.