

Financial Statements of

CANCERCARE MANITOBA

And Independent Auditors' Report thereon

Year ended March 31, 2020



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INDEPENDENT AUDITORS' REPORT

To the Members of CancerCare Manitoba

Opinion

We have audited the financial statements of CancerCare Manitoba (the "Organization"), which comprise the statement of financial position as at March 31, 2020, the statements of operations and accumulated surplus, remeasurement gains and losses, changes in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2020, and its results of operations, its remeasurement gains and losses, its changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Organization 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 opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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



Auditors' 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 auditors' 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 the 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 Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Organization 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.



- 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.

KPMG LLP

Chartered Professional Accountants

Winnipeg, Canada

June 18, 2020

CANCERCARE MANITOBA

Statement of Financial Position

As at March 31, 2020, with comparative information for 2019

| | 2020 | 2019 |
|---|----------------------|----------------------|
| Financial assets: | | |
| Cash | \$ 4,616,979 | \$ 3,613,389 |
| Restricted cash (note 3) | 4,994,306 | 4,888,442 |
| Accounts receivable (note 4) | 21,631,364 | 21,632,049 |
| Due from Manitoba Health (note 5) | 940,640 | 103,232 |
| Investments (schedule 1) | 25,374,500 | 23,649,672 |
| Vacation entitlements receivable | 1,713,746 | 1,730,141 |
| Retirement entitlement obligation receivable (note 6) | 1,350,050 | 1,419,400 |
| | <u>60,621,585</u> | <u>57,036,325</u> |
| Financial liabilities: | | |
| Accounts payable and accrued liabilities (note 7) | 25,082,713 | 16,914,784 |
| Employee future benefits (note 8) | 9,923,642 | 9,941,172 |
| Unearned revenue | 460,682 | 123,500 |
| Lines of credit payable (note 10) | 6,529,315 | 13,495,545 |
| Loans payable (note 11) | 22,987,059 | 13,069,735 |
| Due to Manitoba Health (note 5) | 4,913,996 | 8,899,481 |
| | <u>69,897,407</u> | <u>62,444,217</u> |
| Net debt | (9,275,822) | (5,407,892) |
| Non-financial assets: | | |
| Tangible capital assets (note 12) | 48,187,670 | 47,064,767 |
| Inventory | 6,123,020 | 5,456,678 |
| Prepaid expenses | 403,833 | 460,554 |
| | <u>54,714,523</u> | <u>52,981,999</u> |
| Net assets | \$ 45,438,701 | \$ 47,574,107 |
| Net assets is comprised of: | | |
| Accumulated surplus | \$ 46,742,986 | \$ 47,651,507 |
| Accumulated remeasurement losses | (1,304,285) | (77,400) |
| | <u>\$ 45,438,701</u> | <u>\$ 47,574,107</u> |

Commitments (note 13)

Contingencies (note 14)

Subsequent event (note 20)

See accompanying notes to financial statements.

Approved by the Members:

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Member

Original Document Signed

Member

CANCERCARE MANITOBA

Statement of Operations and Accumulated Surplus

Year ended March 31, 2020, with comparative information for 2019

| | 2020 Budget | 2020 (Schedule 2) | 2019 |
|--|--------------------|----------------------|----------------------|
| Revenue: | | | |
| Manitoba Health, Seniors and Active Living (note 15) | \$ 78,748,918 | \$ 75,038,631 | \$ 76,301,157 |
| Provincial Oncology Drug Program | 49,500,000 | 51,176,549 | 47,118,596 |
| Oral cancer drug dispensing | 9,000,000 | 15,239,384 | 7,818,145 |
| Medical remuneration | 18,525,137 | 16,954,604 | 16,605,560 |
| Government of Canada | 80,370 | 22,461 | 10,092 |
| Other revenue | 3,839,312 | 5,280,536 | 5,350,758 |
| Investment income | 745,500 | 820,709 | 642,008 |
| External grants | 13,875,000 | 15,276,369 | 14,277,134 |
| Total revenue | 174,314,237 | 179,809,243 | 168,123,450 |
| Expenses (note 19): | | | |
| Acute Care: | | | |
| Clinics and patient services | 29,086,414 | 29,189,780 | 29,264,041 |
| Systemic oncology program | 18,850,645 | 19,544,145 | 19,084,214 |
| Radiation oncology program | 13,876,591 | 13,811,475 | 13,635,737 |
| Other clinical programs | 12,495,971 | 11,522,390 | 10,770,931 |
| Corporate services | 14,462,050 | 13,213,418 | 15,701,525 |
| Provincial Oncology Drug Program | 49,500,000 | 51,176,549 | 47,118,596 |
| Oral cancer drug dispensing | 9,434,429 | 15,660,658 | 8,037,578 |
| Medical remuneration | 18,525,137 | 16,954,604 | 16,605,562 |
| Research expense | 13,938,000 | 13,469,624 | 14,063,572 |
| Total expenses | 180,169,237 | 184,542,643 | 174,281,756 |
| Deficit for the year before government transfers related to capital | (5,855,000) | (4,733,400) | (6,158,306) |
| Government transfers related to capital | 1,958,000 | 3,824,879 | 5,137,580 |
| Annual deficit | (3,897,000) | (908,521) | (1,020,726) |
| Accumulated surplus, beginning of year | | 47,651,507 | 48,672,233 |
| Accumulated surplus, end of year | | \$ 46,742,986 | \$ 47,651,507 |
| Accumulated surplus is comprised of: | | | |
| Invested in tangible capital assets | | \$ 20,987,462 | \$ 22,768,884 |
| Surplus accumulated from general operations | | 10,414,584 | 11,035,681 |
| Surplus accumulated from research operations | | 15,340,940 | 13,846,942 |
| | | \$ 46,742,986 | \$ 47,651,507 |

See accompanying notes to financial statements.

CANCERCARE MANITOBA

Statement of Remeasurement Gains and Losses

Year ended March 31, 2020, with comparative information for 2019

| | 2020 | 2019 |
|---|----------------|--------------|
| Accumulated remeasurement losses, beginning of year | \$ (77,400) | \$ (341,473) |
| Unrealized gains (losses) attributable to investments | (1,304,792) | 189,249 |
| Realized gains, reclassified to statement of operations and changes in accumulated surplus, attributable to investments | 106,905 | 94,148 |
| Unrealized foreign exchange losses on foreign currency balances | (28,998) | (19,324) |
| Net remeasurement gains (losses) for the year | (1,226,885) | 264,073 |
| Accumulated remeasurement losses, end of year | \$ (1,304,285) | \$ (77,400) |

See accompanying notes to financial statements.

CANCERCARE MANITOBA

Statement of Changes in Net Debt

Year ended March 31, 2020, with comparative information for 2019

| | 2020 Budget | 2020 | 2019 |
|---|----------------|----------------|----------------|
| Annual deficit | \$ (3,897,000) | \$ (908,521) | \$ (1,020,726) |
| Acquisition of tangible capital assets | (3,834,000) | (6,598,922) | (2,891,115) |
| Amortization of tangible capital assets | 5,634,000 | 5,326,716 | 6,105,770 |
| Write-off of tangible capital assets | - | 149,303 | - |
| Change in inventory | - | (666,342) | (727,351) |
| Change in prepaid expenses | - | 56,721 | (200,067) |
| Change in accumulated remeasurement gains (losses) | - | (1,226,885) | 264,073 |
| Change in net debt | (2,097,000) | (3,867,930) | 1,530,584 |
| Net debt, beginning of year | | (5,407,892) | (6,938,476) |
| Net debt, end of year | | \$ (9,275,822) | \$ (5,407,892) |

See accompanying notes to financial statements.

CANCERCARE MANITOBA

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

| | 2020 | 2019 |
|---|---------------------|---------------------|
| Cash provided by (used in): | | |
| Operating transactions: | | |
| Annual deficit | \$ (908,521) | \$ (1,020,726) |
| Amortization of tangible capital assets | 5,326,716 | 6,105,770 |
| Write-off of tangible capital assets | 149,303 | - |
| Realized (gains) losses on investments | (62,467) | 119,663 |
| Unrealized losses on foreign currency | (28,998) | (19,324) |
| Change in non-cash assets and liabilities (note 17) | 3,159,027 | (5,981,285) |
| Change in employee future benefits | (17,530) | 333,691 |
| | <u>7,617,530</u> | <u>(462,211)</u> |
| Capital transactions: | | |
| Acquisition of tangible capital assets | (6,598,922) | (2,891,115) |
| Investing transactions: | | |
| Purchase of investments | (25,316,437) | (7,689,215) |
| Proceeds on disposal of investments | 22,456,189 | 9,458,000 |
| | <u>(2,860,248)</u> | <u>1,768,785</u> |
| Financing transactions: | | |
| Increase in restricted cash | (105,864) | (96,160) |
| Repayment of lines of credit payable | (12,843,640) | (12,983,060) |
| Proceeds on lines of credit payable | 5,877,410 | 13,495,545 |
| Principal repayments on loans payable | (2,926,316) | (2,926,316) |
| Proceeds on loans payable | 12,843,640 | - |
| | <u>2,845,230</u> | <u>(2,509,991)</u> |
| Increase (decrease) in cash | 1,003,590 | (4,094,532) |
| Cash, beginning of year | 3,613,389 | 7,707,921 |
| Cash, end of year | <u>\$ 4,616,979</u> | <u>\$ 3,613,389</u> |

See accompanying notes to financial statements.

CANCERCARE MANITOBA

Notes to Financial Statements

Year ended March 31, 2020

1. Purpose of the Organization:

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

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

2. Significant accounting policies:

(a) Basis of presentation:

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS).

(b) Revenue recognition:

Government transfers from Manitoba Health, Seniors and Active Living (Manitoba Health) for operating purposes are recognized as revenue in the period in which all eligibility criteria have been met and the amounts are authorized. When revenue is received without eligibility criteria and with stipulations, it is recognized when the transfer from Manitoba Health is authorized, except when and to the extent the transfer gives rise to an obligation that meets the definition of a liability for the Organization. If the obligation does meet the definition of a liability, the related revenue is recognized as the obligation is settled.

Funding received for the acquisition or development of tangible capital assets is recognized as revenue in one of two ways:

- i. Assets funded by approved/funded debt: revenue is recognized when the debt principal and interest payment funding is received.
- ii. Assets funded by an allocation of cash: revenue is recognized immediately when all eligibility criteria are met and no stipulations exist. If stipulations exist and the funding obligation meets the definition of a liability for the Organization, the revenue is deferred until the stipulations are met.

CANCERCARE MANITOBA

Notes to Financial Statements

Year ended March 31, 2020

2. Significant accounting policies (continued):

Any unrestricted non-government contributions or grants are recorded as revenue in the year received or in the years the funds are committed to the Organization if the amount can be reasonably estimated and collection is reasonably assured. All non-government contributions or grants that are externally restricted such that they must be used for a specified purpose are recognized as revenue in the period in which the resources are used for the purpose or purposes specified.

Investment income is recognized as revenue in the year in which the income was earned. Investment income includes interest income and realized gains (losses) on investments.

(c) Expenses:

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

(d) Financial instruments:

Derivative instruments and equity instruments that are quoted in an active market are reported, on initial recognition and subsequently, at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, at which point they are transferred to the statement of operations.

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

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

CANCERCARE MANITOBA

Notes to Financial Statements

Year ended March 31, 2020

2. Significant accounting policies (continued):

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

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

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

The Organization holds high interest savings accounts, equity and mutual fund investments classified as level 1 and bonds and deposit notes classified as level 2. There were no transfers between level 1 and level 2 for the years ended March 31, 2020 and 2019, and there were no transfers in or out of level 3.

(e) Tangible capital assets:

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

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

(f) Contributed services:

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

CANCERCARE MANITOBA

Notes to Financial Statements

Year ended March 31, 2020

2. Significant accounting policies (continued):

(g) Employee future benefits:

Retirement entitlement obligations are accrued as earned based on an actuarial estimation and vacation entitlement benefits are accrued as employees earn the benefits.

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

The Organization measures the retirement entitlement obligations and accumulated sick leave entitlement using the most recently completed actuarial valuations. In years between valuations, the Organization utilizes extrapolations prepared by the actuary to estimate the employee future benefit obligations. The most recent actuarial valuations for retirement entitlement obligations and accumulated sick leave entitlement were as of December 31, 2018, and the next required valuations will be as of December 31, 2021.

(h) Inventory:

Inventory consists of drugs that are measured at the lower of cost, on a first-in, first-out basis, and replacement cost.

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of tangible capital assets and obligations related to employee future benefits. Actual results could differ from management's best estimates as additional information becomes available in the future.

CANCERCARE MANITOBA

Notes to Financial Statements

Year ended March 31, 2020

3. Restricted cash:

As at March 31, 2020, the Organization has restricted cash of \$2,381,045 (2019 - \$2,330,574) from matured restricted investments.

As at March 31, 2020, the Organization has restricted cash of \$2,613,261 (2019 - \$2,557,868) for future payment of retirement entitlement obligations.

4. Accounts receivable:

| | 2020 | 2019 |
|--|----------------------|----------------------|
| CancerCare Manitoba Foundation (note 16) | \$ 7,198,374 | \$ 6,602,022 |
| University Medical Group | 4,300,214 | 4,327,942 |
| Other | 9,085,251 | 5,810,788 |
| Winnipeg Regional Health Authority | 534,761 | 4,539,556 |
| Shared Health Inc. | 293,198 | - |
| Accrued interest receivable | 111,231 | 236,805 |
| University of Manitoba | 158,749 | 131,821 |
| Government of Canada | 2,872 | 6,260 |
| Province of Manitoba | 507 | 3,367 |
| Allowance for doubtful accounts | (53,793) | (26,512) |
| | \$ 21,631,364 | \$ 21,632,049 |

5. Manitoba Health funding:

(a) In-globe funding:

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

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

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

CANCERCARE MANITOBA

Notes to Financial Statements

Year ended March 31, 2020

5. Manitoba Health funding (continued):

(b) Out-of-globe funding:

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

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

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

At March 31, 2020, the Organization had a balance of \$4,913,996 (2019 - \$8,899,481) payable to Manitoba Health as follows:

| | 2020 | 2019 |
|----------------------------------|---------------------|---------------------|
| Medical remuneration | \$ 4,913,996 | \$ 5,263,040 |
| Provincial Oncology Drug Program | – | 3,635,754 |
| Other | – | 687 |
| | <u>\$ 4,913,996</u> | <u>\$ 8,899,481</u> |

At March 31, 2020, the Organization had a balance of \$940,640 (2019 - \$103,232) receivable from Manitoba Health as follows:

| | 2020 | 2019 |
|----------------------------------|-------------------|-------------------|
| Provincial Oncology Drug Program | \$ 422,199 | \$ – |
| Oral cancer drug dispensing | 325,804 | 99,673 |
| Operational review | 136,164 | – |
| Approved capital funding | 56,473 | – |
| Other | – | 3,559 |
| | <u>\$ 940,640</u> | <u>\$ 103,232</u> |

CANCERCARE MANITOBA

Notes to Financial Statements

Year ended March 31, 2020

6. Retirement entitlement obligation receivable:

The Organization has a contractual commitment to pay out to employees four days per year of service upon retirement. At March 31, 2020, based on an actuarial estimate, the retirement entitlement obligations are estimated to be \$8,679,272 (2019 - \$8,565,046) for which the Organization has recorded retirement entitlement obligations on the statement of financial position (note 8).

The amount of funding which will be provided by Manitoba Health for these retirement entitlement benefits was initially determined based on the retirement entitlement obligations at March 31, 2004, and was recorded as retirement entitlement obligation receivable from Manitoba Health. Since fiscal 2004, the Organization receives in-globe funding on an annual basis from Manitoba Health, which includes funding for the change in retirement entitlement obligations and retirement entitlement payments in the year, including an interest component on the retirement entitlement obligation receivable. The retirement entitlement obligation receivable from Manitoba Health aggregates \$1,350,050 (2019 - \$1,419,400) and has no specific terms of repayment.

7. Accounts payable and accrued liabilities:

| | 2020 | 2019 |
|--|----------------------|----------------------|
| Trade accounts payable and accrued liabilities | \$ 14,585,121 | \$ 6,334,299 |
| Accrued vacation benefits payable | 5,199,441 | 5,194,028 |
| Accrued salaries | 3,814,545 | 3,473,678 |
| Employee remittances payable | 1,483,606 | 1,912,779 |
| | \$ 25,082,713 | \$ 16,914,784 |

8. Employee future benefits:

| | 2020 | 2019 |
|------------------------------------|---------------------|---------------------|
| Retirement entitlement obligations | \$ 8,679,272 | \$ 8,565,046 |
| Accumulated sick leave entitlement | 1,244,370 | 1,376,126 |
| | \$ 9,923,642 | \$ 9,941,172 |

CANCERCARE MANITOBA

Notes to Financial Statements

Year ended March 31, 2020

8. Employee future benefits (continued):

(a) Retirement entitlement obligations:

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

- (i) has ten years service and has reached age 55; or
- (ii) qualifies for the “eighty” rule which is calculated by adding the number of years of service to the age of the employee; or
- (iii) retires at or after age 65; or
- (iv) terminates employment at any time due to permanent disability.

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

| | 2020 | 2019 |
|--------------------------------|--------------|--------------|
| Accrued benefit obligation: | | |
| Balance, beginning of year | \$ 8,565,046 | \$ 8,285,139 |
| Current service cost | 558,024 | 591,651 |
| Interest cost | 257,299 | 274,485 |
| Transfer to Shared Health Inc. | (69,351) | – |
| Benefits paid | (627,125) | (525,723) |
| | 8,683,893 | 8,625,552 |
| Amortized actuarial gains | (4,621) | (60,506) |
| Balance, end of year | \$ 8,679,272 | \$ 8,565,046 |

The significant actuarial assumptions adopted in measuring the Organization’s retirement entitlement obligations include mortality, disability and withdrawal rates, a discount rate of 2.60 percent (2019 - 3.10 percent) and a rate of salary increase of nil percent from April 1, 2018 to March 2020, 0.75 percent to March 2021, 1.00 percent to March 2022 and 3.50 percent thereafter, plus age-related merit/promotion scale (2019 - nil percent from April 1, 2018 to March 2020, 0.75 percent to March 2021, 1.00 percent to March 2022 and 3.50 percent thereafter, plus age-related merit/promotion scale).

CANCERCARE MANITOBA

Notes to Financial Statements

Year ended March 31, 2020

8. Employee future benefits (continued):

(b) Accumulated sick leave entitlement:

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

| | 2020 | 2019 |
|--------------------------------|--------------|--------------|
| Accrued benefit obligation: | | |
| Balance, beginning of year | \$ 1,376,126 | \$ 1,322,342 |
| Current service cost | 83,915 | 161,407 |
| Interest cost | 37,706 | 51,872 |
| Transfer to Shared Health Inc. | (17,608) | - |
| Benefits paid | (248,805) | (197,312) |
| | 1,231,334 | 1,338,309 |
| Amortized actuarial losses | 13,036 | 37,817 |
| Balance, end of year | \$ 1,244,370 | \$ 1,376,126 |

The significant assumptions adopted in measuring the Organization's accumulated sick leave entitlement include a discount rate of 2.60 percent (2019 - 3.10 percent) and a rate of salary increase of nil percent from April 1, 2018 to March 2020, 0.75 percent to March 2021, 1.00 percent to March 2022 and 3.50 percent thereafter (2019 - rate of salary increase of nil percent from April 1, 2018 to March 2020, 0.75 percent to March 2021, 1.00 percent to March 2022 and 3.50 percent thereafter).

(c) Employee entitlements:

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

(d) Pension plans:

Most of the employees of the Organization are members of Healthcare Employees' Pension Plan - Manitoba (HEPP), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings.

CANCERCARE MANITOBA

Notes to Financial Statements

Year ended March 31, 2020

8. Employee future benefits (continued):

The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, HEPP is accounted for as a defined contribution plan in accordance with the requirements of the Chartered Professional Accountants of Canada's Handbook, Public Sector Accounting Standards, Section 3250, *Retirement Benefits*.

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

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members or through a reduction of benefits. The most recent funding actuarial valuation of HEPP as at December 31, 2018 reported HEPP had a surplus of actuarial value of net assets over actuarial value of pension obligations and a solvency deficiency. Based on the solvency exemption granted to HEPP, HEPP is not required to fund on a solvency basis but is required to fund on a going concern basis. The going concern deficiency will be funded by special payments out of current contributions. Any contribution deficiencies would be addressed through pension benefit reductions or contribution rate increases from the participating members.

Actual contributions to HEPP made during the year by the Organization on behalf of its employees amounted to \$5,310,008 (2019 - \$5,249,442) and are included in the statement of operations. Employer contribution rates remained unchanged at 8.9 percent (2019 - 8.9 percent) of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 10.5 percent (2019 - 10.5 percent) on earnings in excess of the YMPE.

9. Budget:

On November 14, 2019 the Board of Directors approved the final budget for the Organization for the year ended March 31, 2020.

CANCERCARE MANITOBA

Notes to Financial Statements

Year ended March 31, 2020

10. Lines of credit payable:

| | 2020 | 2019 |
|-------------------------|--------------|---------------|
| Lines of credit payable | \$ 6,529,315 | \$ 13,495,545 |

As at March 31, 2020, the Organization has lines of credit available from the Province of Manitoba, Department of Finance - Treasury Division (Treasury) for capital projects of \$12,293,546, and the amount drawn is \$6,529,315. No scheduled repayment terms have been established for the lines of credit, which are repayable on March 31, 2023 and bear interest at a rate of bank prime less 1.90 percent.

During the year, outstanding lines of credit payable with Treasury in the amount of \$12,843,640 were repaid by the Organization with funds received from the issuance of promissory notes (note 11).

11. Loans payable:

The Organization has executed promissory notes payable to the Department of Finance of the Province of Manitoba, and the payment of these liabilities is funded by Manitoba Health. During the year, the Organization executed promissory notes with a total value of \$12,843,640, the funds from which were used to pay down an equivalent amount of lines of credit payable (note 10). The balances of the promissory notes are as follows:

| | 2020 | 2019 |
|--|----------------------|----------------------|
| Variable rate (30-day bankers' acceptance plus 25 basis points), maturing February 28, 2022, repayable in monthly instalments of \$50,439, plus interest | \$ 1,160,086 | \$ 1,765,350 |
| 3.95% maturing November 30, 2025, repayable in monthly instalments of \$77,778, plus interest | 5,288,889 | 6,222,222 |
| 3.35% maturing February 28, 2028, repayable in monthly instalments of \$38,889, plus interest | 3,694,444 | 4,161,111 |
| 3.05% maturing March 31, 2035, repayable in monthly principal and interest instalments of \$67,993 | 9,811,578 | - |
| 2.90% maturing March 31, 2030, repayable in monthly principal and interest instalments of \$22,819 | 2,374,509 | - |
| 2.75% maturing March 31, 2027, repayable in monthly principal and interest instalments of \$8,615 | 657,553 | - |
| 6.25% matured March 31, 2020, repayable in monthly instalments of \$76,754, plus interest | - | 921,052 |
| | \$ 22,987,059 | \$ 13,069,735 |

CANCERCARE MANITOBA

Notes to Financial Statements

Year ended March 31, 2020

11. Loans payable (continued):

Principal payments of the lines of credit payable and the loans payable until maturity are approximately as follows:

| | |
|------------|----------------------|
| 2021 | \$ 2,823,301 |
| 2022 | 2,797,578 |
| 2023 | 8,797,531 |
| 2024 | 2,294,450 |
| 2025 | 2,321,477 |
| Thereafter | 10,482,037 |
| | \$ 29,516,374 |

12. Tangible capital assets:

| Cost | Balance at March 31, 2019 | Additions | Disposals/ Write-off | 2020 Total |
|-----------|---------------------------------|---------------------|-------------------------|----------------------|
| Building | \$ 62,884,524 | \$ – | \$ (149,303) | \$ 62,735,221 |
| Equipment | 64,609,170 | 6,598,922 | – | 71,208,092 |
| | \$127,493,694 | \$ 6,598,922 | \$ (149,303) | \$133,943,313 |

| Accumulated amortization | Balance at March 31, 2019 | Additions | Disposals | 2020 Total |
|-----------------------------|---------------------------------|---------------------|-------------|----------------------|
| Building | \$ 27,552,702 | \$ 1,574,541 | \$ – | \$ 29,127,243 |
| Equipment | 52,876,225 | 3,752,175 | – | 56,628,400 |
| | \$ 80,428,927 | \$ 5,326,716 | \$ – | \$ 85,755,643 |

| Net book value | 2020 Total | 2019 Total |
|-------------------|----------------------|----------------------|
| Building | \$ 33,607,978 | \$ 35,331,822 |
| Equipment | 14,579,692 | 11,732,945 |
| | \$ 48,187,670 | \$ 47,064,767 |

CANCERCARE MANITOBA

Notes to Financial Statements

Year ended March 31, 2020

13. Commitments:

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

| | |
|------|------------|
| 2021 | \$ 390,000 |
| 2022 | 350,000 |
| 2023 | 20,000 |
| | \$ 760,000 |

14. Contingencies:

HIROC

On July 1, 1987, a group of health care organizations (subscribers) formed Healthcare Insurance Reciprocal of Canada (HIROC). HIROC is registered as a reciprocal under provincial insurance acts, which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2020.

Healthcare Employees' Pension Plan - Manitoba

During the year ended March 31, 2018, the Organization was made aware by HEPP that there were unremitted pension contributions associated with HEPP related to prior fiscal years for the Organization. The amount of the liability is unknown as at March 31, 2020 as the Organization and HEPP have not accurately determined the amount due from the Organization to HEPP. It is expected that the amount, once finalized, will not be material to the financial statements of the Organization.

Credit facilities

The Organization has established arrangements for credit facilities for foreign exchange forward contracts, to a maximum of \$5,000,000 (2019 - \$1,000,000), and for overdraft and/or letters of credit for operating purposes to a maximum of \$7,200,000 (2019 - \$5,200,000). The latter facility is charged interest at prime less 0.50 percent, with both facilities secured by a general security agreement. The Organization has not utilized these facilities as of March 31, 2020 or March 31, 2019.

CANCERCARE MANITOBA

Notes to Financial Statements

Year ended March 31, 2020

15. Economic dependence:

The Organization received approximately 88 percent (2019 - 88 percent) of its total revenue from Manitoba Health and is economically dependent on Manitoba Health for continued operations.

16. CancerCare Manitoba Foundation Inc.:

The Organization has an economic interest in CancerCare Manitoba Foundation Inc. (CCMF Inc.). At March 31, 2020, net resources of CCMF Inc. amounted to \$63,200,576 (2019 - \$60,504,558), of which \$25,474,162 (2019 - \$24,355,615) are restricted contributions. CCMF Inc.'s purpose is to support the Organization in its provision of a program of diagnosis of, treatment of, and research in respect of cancer. CCMF Inc. will solicit, receive, maintain and accumulate funds for distribution on a periodic basis to the Organization, to support principally research activities that are supplementary to those funded by Manitoba Health. During the year, CCMF Inc. awarded funds in the amount of \$7,030,000 (2019 - \$7,280,923) to the Organization which are recorded in external grants revenue in the statement of operations. Accounts receivable from CCMF amount to \$7,198,374 at March 31, 2020 (2019 - \$6,602,022).

17. Change in non-cash assets and liabilities:

The change in non-cash assets and liabilities consists of the following:

| | 2020 | 2019 |
|--|---------------------|-----------------------|
| Due from Manitoba Health | \$ (837,408) | \$ 541,764 |
| Accounts receivable | 685 | (1,275,858) |
| Vacation entitlements receivable | 16,395 | - |
| Retirement entitlement obligation receivable | 69,350 | - |
| Inventory | (666,342) | (727,351) |
| Prepaid expenses | 56,721 | (200,067) |
| Accounts payable and accrued liabilities | 8,167,929 | (1,852,355) |
| Unearned revenue | 337,182 | 117,000 |
| Due to Manitoba Health | (3,985,485) | (2,584,418) |
| | \$ 3,159,027 | \$ (5,981,285) |

18. Financial risks:

(a) Credit risk:

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

CANCERCARE MANITOBA

Notes to Financial Statements

Year ended March 31, 2020

18. Financial risks (continued):

The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Organization at March 31, 2020 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts at March 31, 2020 is \$53,793 (2019 - \$26,512).

There have been no significant changes to the credit risk exposure from 2019.

(b) Liquidity risk:

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

There have been no significant changes to the liquidity risk exposure from 2019.

(c) Market risk:

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

(d) Interest rate risk:

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

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

CANCERCARE MANITOBA

Notes to Financial Statements

Year ended March 31, 2020

18. Financial risks (continued):

As at March 31, 2020, had prevailing interest rates increased or decreased by 1 percent, assuming a parallel shift in the yield curve, with all other variables held constant, there would be no material impact on the market value of bonds.

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

The Organization's investments are disclosed in schedule 1.

There has been no change to the interest rate risk exposure from 2019.

19. Classification of expenditures by object:

The Statement of Operations reports the expenditures by function; the following classifies those same expenditures by object:

| | 2020 Budget | 2020 | 2019 |
|--|-----------------------|-----------------------|-----------------------|
| Compensation | \$ 71,557,860 | \$ 70,227,849 | \$ 70,589,066 |
| Medical remuneration | 20,074,477 | 18,500,836 | 17,935,050 |
| Building occupancy | 2,661,000 | 2,393,787 | 2,717,680 |
| Amortization of tangible capital assets | 5,634,000 | 5,326,715 | 6,105,770 |
| General administration | 3,848,000 | 3,590,926 | 3,435,558 |
| Equipment rentals and maintenance | 2,812,000 | 3,267,193 | 3,459,214 |
| Supplies and other departmental expenses | 7,417,900 | 7,609,463 | 7,436,389 |
| Drugs: | | | |
| Provincial oncology drug program | 49,500,000 | 51,176,549 | 47,118,596 |
| Neupogen | 3,362,000 | 2,754,029 | 2,920,897 |
| Other | 9,000,000 | 15,370,136 | 7,802,176 |
| Referred-out services | 3,736,000 | 3,589,883 | 3,866,467 |
| Interest expense | 566,000 | 735,277 | 894,893 |
| Total expenditures by object | \$ 180,169,237 | \$ 184,542,643 | \$ 174,281,756 |

20. Subsequent event:

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including the Organization's. At the current time, it is not possible to reliably estimate the duration and impact of these events may have on the Organization's future financial results because of the uncertainties about future developments.

CANCERCARE MANITOBA

Investments

Year ended March 31, 2020, with comparative information for 2019

March 31, 2020

| Description | Interest rate % | Maturity date | Cost | Fair value |
|--------------------------------|------------------|--------------------------|----------------------|----------------------|
| <i>Bonds:</i> | | | | |
| Provincial | 2.060% to 2.090% | 12-03-2024 to 12-01-2025 | \$ 2,063,998 | \$ 2,101,277 |
| Corporate | 0.700% to 3.899% | 11-18-2021 to 10-21-2024 | 6,160,157 | 6,225,301 |
| | | | 8,224,155 | 8,326,578 |
| <i>Deposit Notes:</i> | | | | |
| Corporate | 1.957% to 3.589% | 11-18-2020 to 09-17-2024 | 9,982,782 | 9,845,032 |
| Principal protected notes | | | 3,243,200 | 2,997,917 |
| Principal at risk notes | | | 1,360,000 | 925,898 |
| | | | 14,585,982 | 13,768,847 |
| Mutual Funds | | | 1,801,757 | 1,523,379 |
| Equities | | | 1,290,000 | 1,111,064 |
| High Interest Savings Accounts | | | 644,631 | 644,632 |
| Total investments | | | \$ 26,546,525 | \$ 25,374,500 |

March 31, 2019

| Description | Interest rate % | Maturity date | Cost | Fair value |
|--------------------------|------------------|--------------------------|----------------------|----------------------|
| <i>Bonds:</i> | | | | |
| Municipal | 1.650% to 3.450% | 10-15-2019 to 03-07-2022 | \$ 1,331,131 | \$ 1,301,752 |
| Provincial | 2.100% to 2.650% | 09-08-2019 to 09-23-2023 | 3,202,980 | 3,182,639 |
| Corporate | 1.742% to 3.900% | 05-13-2019 to 10-21-2023 | 7,756,464 | 7,750,485 |
| | | | 12,290,575 | 12,234,876 |
| <i>Deposit Notes:</i> | | | | |
| Corporate | 1.640% to 3.450% | 04-02-2019 to 12-05-2023 | 11,410,883 | 11,414,796 |
| Total investments | | | \$ 23,701,458 | \$ 23,649,672 |

CANCERCARE MANITOBA

Year ended March 31, 2020, with comparative information for 2019

| | 2020 Budget | 2020 Operating | 2020 Capital | 2020 Total | 2019 Total |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Revenue: | | | | | |
| Manitoba Health, Seniors and Active Living (note 15) | \$ 80,706,918 | \$ 75,038,631 | \$ 3,824,879 | \$ 78,863,510 | \$ 81,438,737 |
| Provincial Oncology Drug Program | 49,500,000 | 51,176,549 | – | 51,176,549 | 47,118,596 |
| Oral cancer drug dispensing | 9,000,000 | 15,239,384 | – | 15,239,384 | 7,818,145 |
| Medical remuneration | 18,525,137 | 16,954,604 | – | 16,954,604 | 16,605,560 |
| Government of Canada | 80,370 | 22,461 | – | 22,461 | 10,092 |
| Investment Income | 745,500 | 820,709 | – | 820,709 | 642,008 |
| Other revenue | 3,839,312 | 5,280,536 | – | 5,280,536 | 5,350,758 |
| External grants | 13,875,000 | 15,276,369 | – | 15,276,369 | 14,277,134 |
| Total revenue | \$ 176,272,237 | \$ 179,809,243 | \$ 3,824,879 | \$ 183,634,122 | \$ 173,261,030 |
| Expenses (note 19): | | | | | |
| Acute Care: | | | | | |
| Clinics and patient services | \$ 23,231,414 | \$ 23,583,480 | \$ – | \$ 23,583,480 | \$ 22,795,526 |
| Systemic oncology program | 18,850,645 | 19,544,145 | – | 19,544,145 | 19,084,214 |
| Radiation oncology program | 13,876,591 | 13,811,475 | – | 13,811,475 | 13,635,737 |
| Other clinical programs | 12,495,971 | 11,522,390 | – | 11,522,390 | 10,770,931 |
| Corporate services | 14,462,050 | 13,213,418 | – | 13,213,418 | 15,701,525 |
| Provincial Oncology Drug Program | 49,500,000 | 51,176,549 | – | 51,176,549 | 47,118,596 |
| Oral cancer drug dispensing | 9,434,429 | 15,660,658 | – | 15,660,658 | 8,037,578 |
| Medical remuneration | 18,525,137 | 16,954,604 | – | 16,954,604 | 16,605,562 |
| Interest expense | 566,000 | – | 735,277 | 735,277 | 894,893 |
| Amortization | 5,289,000 | – | 4,844,690 | 4,844,690 | 5,573,622 |
| Minor capital | – | – | 26,333 | 26,333 | – |
| Research expense | 13,938,000 | 13,469,624 | – | 13,469,624 | 14,063,572 |
| Total expenses | \$180,169,237 | \$178,936,343 | \$ 5,606,300 | \$ 184,542,643 | \$ 174,281,756 |
| Surplus (deficit) for the year | \$ (3,897,000) | \$ 872,900 | \$ (1,781,421) | \$ (908,521) | \$ (1,020,726) |