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ALBERTA CANCER BOARD

FINANCIAL STATEMENTS

MARCH 31, 2003

AUDITORS' REPORT

To the Members of the Alberta Cancer Board
and the Minister of Health and Wellness

I have audited the statement of financial position of the Alberta Cancer Board as at March 31, 2003 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on our audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[Original Signed by Fred J. Dunn, FCA] FCA
Auditor General

Edmonton, Canada
May 26, 2003

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ALBERTA CANCER BOARD
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2003
(thousands of dollars)

**MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL REPORTING**

The accompanying financial statements are the responsibility of management and have been approved by the Board. The financial statements were prepared in accordance with Canadian generally accepted accounting principles and the financial directives issued by Alberta Health and Wellness, and of necessity include some amounts that are based on estimates and judgments.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising written policies, standards and procedures, a formal authorization structure, and satisfactory processes for reviewing internal controls. This system is designed to provide management with reasonable assurance that transactions are in accordance with governing legislation, are properly authorized, reliable financial records are maintained, and assets are adequately accounted for and safeguarded. The Board has established a code of ethics and corporate directives, which require communication of the code to employees.

The Board members carry out their responsibility for the financial statements through the Finance Committee. This Committee meets with management and the external auditor, the Auditor General of Alberta, to discuss and review financial matters, and recommends the financial statements to the Alberta Cancer Board for approval. The external auditor has full and free access to the Finance Committee.

The external auditor, the Auditor General of Alberta, provides an independent audit of the financial statements. His examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures, which allow him to report on the fairness of the financial statements prepared by management.

[Original Signed]

Dr. Jean-Michel Turc
President and Chief Executive Officer

[Original Signed]

Simon Brown, C.A.
Director of Finance

	<u>2003</u>		<u>2002</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<u>ASSETS</u>			
Current:			
Cash and temporary investments (note 3)	\$ 6,399	\$ 6,105	\$ 13,395
Accounts receivable	4,000	6,825	5,138
Contributions receivable	2,000	8,399	3,261
Inventories	3,000	4,527	4,334
Prepaid expenses	846	770	776
	<u>16,245</u>	<u>26,626</u>	<u>26,904</u>
Non-current cash and investments (note 4)	34,483	29,165	31,597
Capital assets (note 5)	140,006	134,040	133,689
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 190,734</u>	<u>\$ 189,831</u>	<u>\$ 192,190</u>
<u>LIABILITIES AND NET ASSETS</u>			
Current:			
Accounts payable	\$ 18,115	\$ 19,114	\$ 19,719
Accrued vacation pay	3,750	4,237	3,900
Deferred contributions (note 6)	17,027	15,448	15,621
	<u>38,892</u>	<u>38,799</u>	<u>39,240</u>
Deferred capital contributions (note 7)	2,750	5,394	11,067
Unamortized external capital contributions (note 8)	124,504	119,256	118,813
	<u>166,146</u>	<u>163,449</u>	<u>169,120</u>
Net assets:			
Unrestricted	5,930	5,242	2,975
Internally restricted	3,156	6,356	5,219
Investment in capital assets	15,502	14,784	14,876
	<u>24,588</u>	<u>26,382</u>	<u>23,070</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 190,734</u>	<u>\$ 189,831</u>	<u>\$ 192,190</u>

The accompanying notes and schedules are part of these financial statements.

ALBERTA CANCER BOARD
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2003

(thousands of dollars)

	<u>2003</u>		<u>2002</u>
	<u>Budget</u> <small>(note 10)</small>	<u>Actual</u>	<u>Actual</u>
Revenues:			
Alberta Health and Wellness contributions (note 11)	\$ 151,751	\$ 156,825	\$ 133,481
Other government contributions (note 12)	811	1,005	977
Fees and charges (note 13)	2,258	4,035	2,470
Ancillary operations, net (note 14)	150	487	201
Donations	3,976	4,751	2,831
Investment and other income (note 15)	22,326	18,043	17,986
Amortization of external capital contributions	10,249	11,125	9,797
TOTAL REVENUE	<u>191,521</u>	<u>196,271</u>	<u>167,743</u>
Expenses (Schedule 1):			
Facility based inpatient acute care services	11,435	11,371	11,318
Facility based outpatient services	51,098	49,698	44,642
Community services	17,323	18,882	16,189
Diagnostic and therapeutic services	45,566	47,856	44,116
Promotion, prevention and screening services	8,747	8,343	7,266
Research and education	21,780	20,791	19,070
Administration (note 16)	5,582	5,218	5,443
Information technology	7,041	7,118	4,204
Support services (note 17)	18,813	19,520	17,830
Amortization of facilities and improvements, cancer operations	4,136	4,202	3,935
TOTAL EXPENSES	<u>191,521</u>	<u>192,999</u>	<u>174,013</u>
Excess (deficiency) of revenues over expenses	<u>\$ —</u>	<u>\$ 3,272</u>	<u>\$ (6,270)</u>

The accompanying notes and schedules are part of these financial statements.

ALBERTA CANCER BOARD
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2003

(thousands of dollars)

	<u>2003</u>			<u>2002</u>	
	<u>Unrestricted</u>	<u>Internally restricted</u>	<u>Investment in capital assets</u>	<u>Total</u>	<u>Total</u>
Excess (deficiency) of revenues over expenses	\$ 3,272	\$ —	\$ —	\$ 3,272	\$ (6,270)
Capital assets purchased with internal funds	(893)	(1,983)	2,876	—	—
Amortization of internally funded capital equipment	2,894	—	(2,894)	—	—
Net book value of internally funded capital equipment disposals	114	—	(114)	—	—
Transfers from external contributions	—	—	40	40	137
Net change	5,387	(1,983)	(92)	3,312	(6,133)
Transfer to internally restricted:					
Capital reserve	(593)	593	—	—	—
Research reserve	(2,527)	2,527	—	—	—
Balance, beginning of year	2,975	5,219	14,876	23,070	29,203
Balance, end of year	<u>\$ 5,242</u>	<u>\$ 6,356</u>	<u>\$ 14,784</u>	<u>\$ 26,382</u>	<u>\$ 23,070</u>

The accompanying notes and schedules are part of these financial statements.

ALBERTA CANCER BOARD
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2003

(thousands of dollars)

	2003		2002
	Budget	Actual	Actual
Cash generated from (used by):			
Operating activities:			
Excess (deficiency) of revenues over expenses	\$ -	\$ 3,272	\$ (6,270)
Non-cash transactions:			
Amortization of capital equipment:			
– internally funded	2,500	2,894	2,443
– externally funded	7,061	6,939	5,827
Amortization of facilities and improvements	4,117	4,379	4,159
Amortization of external capital contributions (note 8)	(11,178)	(11,318)	(9,986)
Loss on disposal of internally funded capital equipment	-	114	162
Write down of investments	-	1,330	1,997
	<u>2,500</u>	<u>7,610</u>	<u>(1,668)</u>
Change in non-cash working capital accounts	<u>3,315</u>	<u>(7,453)</u>	<u>11,704</u>
Cash generated from operations	<u>5,815</u>	<u>157</u>	<u>10,036</u>
Investing activities:			
Purchase of investments	(2,400)	(49,985)	(52,659)
Proceeds on sale of investments	-	48,677	50,198
Purchase of capital assets:			
Internally funded	(3,263)	(2,876)	(4,320)
Externally funded (note 8)			
– equipment	(12,874)	(11,886)	(8,933)
– facilities and improvements	(3,858)	(1,698)	(6,343)
Decrease in non-current cash	-	2,410	-
Contributed artwork collection put into service	-	(3)	(137)
Cash used by investing activities	<u>(22,395)</u>	<u>(15,361)</u>	<u>(22,194)</u>
Financing activities:			
Capital contributions received, net	8,415	7,911	14,760
Contribution of artwork collection	-	3	137
Cash generated from financing activities	<u>8,415</u>	<u>7,914</u>	<u>14,897</u>
Increase (decrease) in cash	(8,165)	(7,290)	2,739
Cash and temporary investments, beginning of year	<u>14,564</u>	<u>13,395</u>	<u>10,656</u>
Cash and temporary investments, end of year	<u>\$ 6,399</u>	<u>\$ 6,105</u>	<u>\$ 13,395</u>

The accompanying notes and schedules are part of these financial statements.

ALBERTA CANCER BOARD
NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2003

(thousands of dollars)

Note 1 Authority, purpose and operations

The Alberta Cancer Board (the "Board") was initially established in 1967 and now operates under the authority of the Cancer Programs Act Chapter C-2, Revised Statutes of Alberta, 2000.

The Board is exempt from the payment of income tax.

The Board provides cancer services to Albertans through research, diagnosis, treatment, education and prevention programs and it coordinates, in cooperation with others, the planning, development and delivery of provincial cancer services.

The operations of the Board include the following facilities and sites:

- Cross Cancer Institute – Edmonton
- Tom Baker Cancer Centre – Calgary
- Regional Cancer Clinics – Grande Prairie, Red Deer, Lethbridge and Medicine Hat
- Community Cancer Centres – Camrose, Hinton, Barrhead, Bonnyville, Drumbeller, High River, Peace River, Fort McMurray, Canmore, Lloydminster and Drayton Valley
- Breast screening sites – Edmonton and Calgary – plus three mobile vans
- Edmonton Radio-pharmaceutical Centre – Edmonton
- Southern Alberta Cancer Research Centre – Calgary

These financial statements do not include assets, liabilities and operations of any voluntary or private facilities providing health services in the Province of Alberta, nor the Alberta Cancer Foundation. Information on these entities is disclosed in note 18.

ALBERTA CANCER BOARD
NOTES TO FINANCIAL STATEMENTS, CONTINUED
MARCH 31, 2003
(thousands of dollars)

Note 2 Summary of significant accounting policies and reporting practices

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and the reporting requirements of Financial Directive 20 issued by Alberta Health and Wellness. The following are the significant accounting policies:

(a) Revenue recognition:

These financial statements have been prepared using the deferral method, the key elements of which are:

- (i) Unrestricted operating grants and other contributions are recognized as revenue on becoming receivable.
- (ii) Externally restricted non-capital contributions are deferred and recognized as revenue in the year proportional to the related expenses incurred.
- (iii) Externally restricted capital contributions are recorded as deferred contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized external capital contributions. Unamortized external capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.
- (iv) Restricted contributions for the purchase of capital assets which will not be amortized are recorded as direct increases to net assets.
- (v) Unrestricted investment income is recognized in the year it is earned.
- (vi) Investment income subject to external restrictions is, depending on the nature of the restrictions, recorded as a direct increase to net assets, or is deferred and recognized as revenue in the year the related expenses are incurred.
- (vii) Donations and contributions in kind are recorded at fair value when such value can be reasonably determined.

ALBERTA CANCER BOARD
NOTES TO FINANCIAL STATEMENTS, CONTINUED
MARCH 31, 2003
(thousands of dollars)

Note 2 Summary of significant accounting policies and reporting practices, continued

(b) Full cost:

The Board accounts for all costs and revenues related to services carried out for which it is responsible. The fair value of costs of services is recorded.

Any assets, supplies and service contributions that would otherwise have been purchased are recorded as revenue and expenses, at fair value at the date of contribution, when a fair value can be reasonably determined. Volunteers contribute a significant amount of time each year to assist the Board in carrying out its programs and services. However, contributed services of volunteers are not recognized as revenue and expenses in the financial statements because fair value cannot be reasonably determined.

(c) Employee future benefits:

The Board participates in the Public Service Pension Plan. This plan is a multi-employer defined benefit pension plan that provides pensions for the Board's participating employees, based on years of service and earnings.

Defined contribution plan accounting is applied to a multi-employer defined benefit plan for which the Board has insufficient information to apply defined benefit plan accounting.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The Board's portion of the pension plan deficit or surplus is not recorded by the Board.

The Board fully accrues its obligations for employee non-pension future benefits.

(d) Investments:

Investments are recorded at cost. Cost includes the amount of applicable amortization of discounts or premiums using the straight-line method over the period to maturity. The cost of disposal is determined on the average cost basis. Gains or losses realized on disposal are recognized in the period of disposal.

Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

ALBERTA CANCER BOARD
NOTES TO FINANCIAL STATEMENTS, CONTINUED
MARCH 31, 2003
(thousands of dollars)

Note 2 Summary of significant accounting policies and reporting practices, continued

(e) Financial instruments:

The carrying values of cash and temporary investments, accounts receivable, contributions receivable, accounts payable and accrued vacation pay approximate their fair values because of the short-term maturities of these items. The fair value of non-current cash and investments is disclosed in note 4.

(f) Inventories:

Inventories are recorded at the lower of cost and net realizable value.

(g) Capital assets:

Capital assets and construction projects in progress are recorded at cost.

The contributed artwork collection is recorded at its fair value at the date of contribution.

Capital assets are amortized over their estimated useful lives on a straight-line basis as follows:

	<u>Useful life</u>
Buildings	40 Years
Buildings service systems	10 – 20 Years
Parkade	30 Years
Equipment	5 – 15 Years
Motor vehicles	5 Years

Construction projects in progress are not amortized until the projects are complete.

The Wellnet/Integrated Cancer Care Network consists of equipment and development costs. Equipment is amortized when put into use and development costs will be amortized once the system is fully implemented.

The artwork collection is not amortized.

(h) Trust funds:

The Board administers certain trust funds on behalf of third parties. As related trust assets are not owned by the Board, transactions related to the receipt and disbursement of these funds are not reflected in these financial statements but are disclosed in note 20.

ALBERTA CANCER BOARD
NOTES TO FINANCIAL STATEMENTS, CONTINUED
MARCH 31, 2003
(thousands of dollars)

Note 2 Summary of significant accounting policies and reporting practices, continued

(i) Measurement uncertainty:

The financial statements by their nature, contain estimates and are subject to measurement uncertainty. The amounts recorded for amortization of capital assets and amortization of external capital contributions are based on estimates of the useful life of the related assets. Actual results could differ from these estimates.

Also the Board is included in the Goods and Services (GST) free list of Alberta Government entities and therefore does not record or pay GST on purchased supplies and services.

Note 3 Cash and temporary investments

	<u>2003</u>	<u>2002</u>
Cash on deposit (cheques issued in excess of cash on hand)	\$ 2,904	\$ (372)
CCITF – Operations	<u>3,201</u>	<u>13,767</u>
	<u>\$ 6,105</u>	<u>\$ 13,395</u>

The Consolidated Cash Investment Trust Fund (“CCITF”) of the Province of Alberta is a demand account managed by Alberta Finance with the objective of providing competitive interest income to depositors while maintaining security and liquidity of depositors’ capital. Interest is earned on the daily cash balance and the average rate of earnings of the CCITF varies depending on prevailing market interest rates. The rate of return for the year ended March 31, 2003 was 2.84% (March 31, 2002 – 3.96%).

The Board has a line of credit available from its banker in the amount of \$1 million at the bank’s prime rate. The line of credit was not accessed during the year.

ALBERTA CANCER BOARD
NOTES TO FINANCIAL STATEMENTS, CONTINUED

MARCH 31, 2003

(thousands of dollars)

Note 4 Non-current cash and investments

	2003		2002	
	Cost	Fair Value	Cost	Fair Value
Investments:				
Money market securities	\$ 2,037	\$ 2,037	\$ 1,161	\$ 1,161
Fixed income securities:				
Canadian federal and provincial government bonds	5,444	5,492	9,305	9,120
Corporate bonds and debentures	5,401	5,540	3,719	3,774
Canadian equities	10,325	9,540	9,089	10,285
United States and foreign equities	4,292	4,005	4,247	4,247
	<u>27,499</u>	<u>26,614</u>	<u>27,521</u>	<u>28,587</u>
Cash	<u>1,666</u>	<u>1,666</u>	<u>4,076</u>	<u>4,076</u>
	<u>\$ 29,165</u>	<u>\$ 28,280</u>	<u>\$ 31,597</u>	<u>\$ 32,663</u>

The carrying value of certain investments is in excess of fair market value at March 31, 2003. The Board's management has reduced the carrying value of the Canadian and foreign equities by an amount which they have determined to be the decline in value that is other than temporary. The carrying value would be reduced to fair market value in those circumstances where the decline in value is other than temporary. In management's best judgment, based on a thorough review with both its investment advisors and the Alberta Cancer Board Board of Trustees, the balance of the decline in value is deemed to be temporary.

- (i) To earn optimal financial returns at an acceptable level of risk, the Board has established a policy asset mix of 0 – 10% for cash and cash equivalents, 40 – 70% for fixed income instruments, and 20% – 60% for equities. Risk is reduced through asset class diversification, diversification within each asset class and quality constraints on fixed income and equity instruments.

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ALBERTA CANCER BOARD
NOTES TO FINANCIAL STATEMENTS, CONTINUED

MARCH 31, 2003

(thousands of dollars)

Note 4 Non-current cash and investments, continued

- (ii) Publicly traded fixed income securities are managed with the objective of providing optimal returns while maintaining maximum security of capital. Return is optimized within risk constraints on the portfolio by management of portfolio duration and issuer mix and limiting investments to instruments with a rating of A or higher by the Dominion Bond Rating Service.

Fixed income securities have an average effective yield of 6.13% per annum for securities maturing between 1 and 32 years. As at March 31, 2003, the securities have the following term structure based on par:

	%
Under 1 year	68
1 to 5 years	12
5 to 10 years	8
Over 10 years	<u>12</u>
	<u>100%</u>

- (iii) Risk is reduced by limiting exposure to any one stock to 5% of the total equity market value and through the advice from an independent investment advisor who uses prudent security selection and sector rotation.

Non-current cash and investments represent the following:

	2003	2002
Externally restricted for capital acquisitions (note 7)	\$ 5,394	\$ 11,067
Internally restricted net assets	6,356	5,219
Unrestricted	<u>17,415</u>	<u>15,311</u>
	<u>\$ 29,165</u>	<u>\$ 31,597</u>

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ALBERTA CANCER BOARD
NOTES TO FINANCIAL STATEMENTS, CONTINUED

MARCH 31, 2003

(thousands of dollars)

Note 5 Capital assets

	2003			2002
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 4,556	\$ —	\$ 4,556	\$ 4,556
Art	141	—	141	137
Buildings	83,794	33,309	50,485	45,959
Buildings service systems	36,837	21,078	15,759	17,218
Parkade	5,507	2,476	3,031	3,220
Equipment	98,212	47,332	50,880	43,793
Motor vehicles	274	206	68	76
Construction in progress	886	—	886	6,550
Wellnet/Integrated Cancer Care Network	7,676	1,476	6,200	6,686
Deposits on equipment	2,034	—	2,034	5,494
	<u>\$ 239,917</u>	<u>\$ 105,877</u>	<u>\$ 134,040</u>	<u>\$ 133,689</u>

Capital assets have been funded from the following sources:

	2003	2002
Externally funded (unamortized external capital contributions) (note 8)	\$ 119,256	\$ 118,813
Internally funded (net assets invested in capital assets)	<u>14,784</u>	<u>14,876</u>
	<u>\$ 134,040</u>	<u>\$ 133,689</u>

Cost includes the appraised value at March 31, 1989 of the original Cross Cancer Institute land and building transferred to the Board from the Province of Alberta on that date.

In the same year, the Mewburn Veterans Centre was transferred from Alberta Infrastructure to the Alberta Cancer Board. The appraised value of the building at the time of transfer was \$5,620. The Board entered into a long-term lease of the Centre to the Capital Health Authority for a nominal rent and accordingly, the building has been recorded at nominal value.

ALBERTA CANCER BOARD
NOTES TO FINANCIAL STATEMENTS, CONTINUED

MARCH 31, 2003

(thousands of dollars)

Note 5 Capital assets, continued

In July, 1989, the Board and the University of Alberta jointly completed the construction of a parkade on land owned by the University adjoining the Cross Cancer Institute. The Board incurred expenditures of \$5,507 on the parkade which amounted to 62.5% of the cost of the parkade. In return, the University granted the Board 62.5% of the use of the parkade rent-free until the year 2009, with two additional five year renewal terms. The Board pays a portion of the parkade's operating costs.

Note 6 Deferred contributions

	2003	2002
Amounts received:		
Alberta Health and Wellness contributions	\$ 6,841	\$ 8,552
Other government contributions	1,024	977
Donations	5,239	2,995
Research agencies and other income	<u>8,573</u>	<u>10,801</u>
	<u>21,677</u>	<u>23,325</u>
Amounts recognized as revenue:		
Alberta Health and Wellness contributions (note 11)	(10,197)	(7,331)
Other government contributions (note 12)	(1,005)	(977)
Donations	(4,325)	(2,620)
Research agencies and other income	<u>(6,323)</u>	<u>(8,713)</u>
	<u>(21,850)</u>	<u>(19,641)</u>
Change during the year	(173)	3,684
Balance, beginning of year	15,621	11,937
	<u>\$ 15,448</u>	<u>\$ 15,621</u>

ALBERTA CANCER BOARD
NOTES TO FINANCIAL STATEMENTS, CONTINUED
MARCH 31, 2003
(thousands of dollars)

Note 6 Deferred contributions, continued

Unspent amounts at end of year are restricted for the following purposes:

	2003	2002
Operating grants	\$ 3,531	\$ 4,477
Research grants	11,917	11,144
	\$ 15,448	\$ 15,621

ALBERTA CANCER BOARD
NOTES TO FINANCIAL STATEMENTS, CONTINUED
MARCH 31, 2003
(thousands of dollars)

Note 7 Deferred capital contributions

The deferred capital contributions balance represents amounts accounted for in accordance with the accounting policy described in note 2a (iii).

	2003	2002
Amounts received:		
Restricted Alberta Health and Wellness contributions	\$ 530	\$ 3,778
Restricted other government contributions	1,965	7,950
Donations restricted for capital purposes	739	2,333
Other capital contributions and interest	5,212	1,038
	8,446	15,099
Transfers:		
Operating revenue – amounts used for minor capital expenditures expensed	(535)	(339)
	7,911	14,760
Transfers:		
Unamortized external capital contributions (note 8)	(13,584)	(15,276)
Change during the year	(5,673)	(516)
Balance, beginning of year	11,067	11,583
Balance, end of year	\$ 5,394	\$ 11,067
Balance at end of year is restricted for the following purposes:		
	2003	2002
Equipment replacement	\$ 2,508	\$ 7,675
Betterment of capital assets	1,108	1,201
New construction	–	771
New equipment – Centre for Biological Imaging and Adaptive Radiotherapy	1,778	1,420
	\$ 5,394	\$ 11,067

ALBERTA CANCER BOARD
NOTES TO FINANCIAL STATEMENTS, CONTINUED

MARCH 31, 2003

(thousands of dollars)

Note 8 Unamortized external capital contributions

Unamortized external capital contributions reflect transactions accounted for in accordance with the accounting policy described in Note 2a (iii). The balance at the end of year represents the external capital contributions that will be recognized as revenue in future years.

	<u>2003</u>	<u>2002</u>
Balance, beginning of year	\$ 118,813	\$ 113,523
Add amounts transferred from deferred capital contributions (note 7)	13,584	15,276
Less amount recognized as revenue:		
General operations	(11,125)	(9,797)
Ancillary operations	(193)	(189)
Less transfer to internal equity	(40)	-
Less net book value of disposals	(1,783)	-
Balance, end of year	<u>\$ 119,256</u>	<u>\$ 118,813</u>

ALBERTA CANCER BOARD
NOTES TO FINANCIAL STATEMENTS, CONTINUED

MARCH 31, 2003

(thousands of dollars)

Note 9 Commitments and contingencies

(a) Commitments:

Future minimum lease payments under operating leases relating primarily to office and warehouse space are as follows:

	2004	\$ 192
	2005	74
	2006	14
		<u>\$ 280</u>

(b) Contingencies:

The Board is defendant in various lawsuits as of March 31, 2003. While it is not possible to estimate the ultimate liability with respect to the pending litigation, the Board's Council is satisfied that there will be no material adverse impact on the financial position of the Board as of March 31, 2003.

ALBERTA CANCER BOARD
NOTES TO FINANCIAL STATEMENTS, CONTINUED
MARCH 31, 2003
(thousands of dollars)

Note 10 Budget

	<u>Approved budget⁽¹⁾</u>	<u>Changes⁽²⁾</u>	<u>Reported budget</u>
Revenues:			
Alberta Health and Wellness contributions	\$ 150,251	\$ 1,500	\$ 151,751
Other government contributions	811	-	811
Fees and charges	2,258	-	2,258
Ancillary operations, net	150	-	150
Donations	3,976	-	3,976
Investment and other revenue	22,326	-	22,326
Amortization of external capital contributions	<u>10,249</u>	<u>-</u>	<u>10,249</u>
	<u>190,021</u>	<u>1,500</u>	<u>191,521</u>
Expenses:			
Facility based inpatient acute care services	11,435	-	11,435
Facility based outpatient services	51,098	-	51,098
Community services	17,323	-	17,323
Diagnostic and therapeutic services	45,566	-	45,566
Promotion, prevention and protection services	8,747	-	8,747
Research and education	21,780	-	21,780
Administration	5,582	-	5,582
Information technology	5,541	1,500	7,041
Support services	18,813	-	18,813
Amortization of facilities and improvements	<u>4,136</u>	<u>-</u>	<u>4,136</u>
	<u>190,021</u>	<u>1,500</u>	<u>191,521</u>
Excess of revenues over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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ALBERTA CANCER BOARD
NOTES TO FINANCIAL STATEMENTS, CONTINUED
MARCH 31, 2003
(thousands of dollars)

Note 10 Budget, continued

- (1) The budget was approved by the Board on March 28, 2002, and approved by the Minister of Health and Wellness.
- (2) The budget was adjusted by \$1.5 million as a result of funding provided by Alberta Health and Wellness to assist in the implementation of the Integrated Cancer Care Network.

Note 11 Alberta Health and Wellness contributions

	<u>Budget</u>	<u>2003</u>	<u>2002</u>
Unrestricted contributions	\$ 141,628	\$ 146,628	\$ 126,150
Transfers from deferred contributions (note 6)	<u>10,123</u>	<u>10,197</u>	<u>7,331</u>
	<u>\$ 151,751</u>	<u>\$ 156,825</u>	<u>\$ 133,481</u>

Note 12 Other government contributions

	<u>Budget</u>	<u>2003</u>	<u>2002</u>
Alberta Treasury	\$ 10	\$ -	\$ 10
Government of Canada	801	971	967
Alberta Alcohol and Drug Abuse Commission	<u>-</u>	<u>34</u>	<u>-</u>
	<u>\$ 811</u>	<u>1,005</u>	<u>\$ 977</u>

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ALBERTA CANCER BOARD
NOTES TO FINANCIAL STATEMENTS, CONTINUED
MARCH 31, 2003
(thousands of dollars)

Note 13	Fees and charges		<u>2003</u>		<u>2002</u>
	Acute care:				
	Inpatient revenue	\$	1,228	\$	1,102
	Outpatient revenue		2,602		1,175
	Preferred accommodation		2		-
	Federal government		107		117
	Workers Compensation Board (WCB)		<u>96</u>		<u>76</u>
		\$	<u>4,035</u>	\$	<u>2,470</u>

ALBERTA CANCER BOARD
NOTES TO FINANCIAL STATEMENTS, CONTINUED
MARCH 31, 2003
(thousands of dollars)

Note 14	Ancillary operations		<u>2003</u>					<u>2002</u>
			Non-patient food service operations	Parking operations	Edmonton Radio- pharmaceutical Centre	Total	Budget	Total
	Revenues	\$	870	\$ 421	\$ 3,267	\$ 4,558	\$ 3,765	\$ 4,018
	Amortization of deferred capital contributions		<u>4</u>	<u>189</u>	<u>-</u>	<u>193</u>	<u>193</u>	<u>189</u>
			<u>874</u>	<u>610</u>	<u>3,267</u>	<u>4,751</u>	<u>3,958</u>	<u>4,207</u>
	Expenses:							
	Amortization		4	189	29	222	192	224
	Other expenses		<u>876</u>	<u>377</u>	<u>2,789</u>	<u>4,042</u>	<u>3,616</u>	<u>3,782</u>
			<u>880</u>	<u>566</u>	<u>2,818</u>	<u>4,264</u>	<u>3,808</u>	<u>4,006</u>
	Excess (deficiency) of revenues over direct expenses 2002 - 2003	\$	<u>(6)</u>	\$ <u>44</u>	\$ <u>449</u>	\$ <u>487</u>	\$ <u>150</u>	\$ <u>201</u>
	Excess (deficiency) of revenues over direct expenses 2001 - 2002	\$	<u>(46)</u>	\$ <u>49</u>	\$ <u>198</u>	\$ <u>201</u>	\$ <u>172</u>	\$ <u>150</u>

Note 15	Investment and other income			<u>Budget</u>		<u>2003</u>		<u>2002</u>
	Unrestricted investment income	\$	2,408	\$	1,737	\$	551	
	Investment write-downs		-		(1,330)		(1,655)	
	Restricted research and operating grants		10,000		8,144		9,060	
	Drug rebates and other recoveries		<u>9,918</u>		<u>9,492</u>		<u>10,030</u>	
		\$	<u>22,326</u>	\$	<u>18,043</u>	\$	<u>17,986</u>	

Investment income (loss) comprises interest, dividends, amortization of discount and premiums, and net gains (losses) on disposal of investments.

ALBERTA CANCER BOARD
NOTES TO FINANCIAL STATEMENTS, CONTINUED
MARCH 31, 2003
(thousands of dollars)

Note 16 Administration

	<u>Budget</u>	<u>2003</u>	<u>2002</u>
General administration	\$ 4,106	\$ 3,835	\$ 3,936
Finance	518	485	484
Personnel	958	898	1,023
	<u>\$ 5,582</u>	<u>\$ 5,218</u>	<u>\$ 5,443</u>

Note 17 Support services

	<u>Budget</u>	<u>2003</u>	<u>2002</u>
Medical physics	\$ 5,743	\$ 6,014	\$ 5,518
Building maintenance, operations and security	5,268	5,784	5,052
Education	691	587	591
Housekeeping	1,632	1,624	1,553
Laundry and linen	400	400	389
Materials management	1,065	1,011	1,017
Patient health records	3,400	3,479	3,122
Patient representative	125	127	114
Volunteer services	489	494	474
	<u>\$ 18,813</u>	<u>\$ 19,520</u>	<u>\$ 17,830</u>

ALBERTA CANCER BOARD
NOTES TO FINANCIAL STATEMENTS, CONTINUED
MARCH 31, 2003
(thousands of dollars)

Note 18 Related parties

(a) The Province of Alberta:

The Board operates under the authority of the Province of Alberta. Transactions between the Board and the Province of Alberta are disclosed in the statements of operations and notes 6, 7, 11 and 12.

(b) Regional Health Authorities ("RHA's"):

The Board operates the Tom Baker Center in Calgary, its four Regional Cancer Clinics and eleven Community Cancer Centers in facilities that are attached to RHA facilities or otherwise belong to RHA's. The RHA's provide both medical and building services to the Cancer Clinics on a cost recovery basis. The services provided by the RHA's are:

	<u>2003</u>	<u>2002</u>
Calgary RHA	\$ 9,834	\$ 10,373
Other RHA's	2,038	1,096
	<u>\$ 11,872</u>	<u>\$ 11,469</u>

(c) Alberta Cancer Foundation:

The Board controls the Alberta Cancer Foundation which raises money for cancer research and other cancer related activities and services. The Foundation is registered with Revenue Canada as a charitable foundation.

During the year, the Board received operating, research and capital grants from the Alberta Cancer Foundation totalling \$6,042 (2002 - \$4,540). At March 31, 2003, an amount of \$181 was due from the Foundation (2002 - \$655).

ALBERTA CANCER BOARD
NOTES TO FINANCIAL STATEMENTS, CONTINUED
MARCH 31, 2003
(thousands of dollars)

Note 18 Related parties, continued

The Alberta Cancer Foundation has not been consolidated in the Board's financial statements. Audited financial statements of the Foundation are available upon request. A financial summary of the Alberta Cancer Foundation as at March 31, 2003 and 2002 and for the years then ended is as follows:

	<u>2003</u>	<u>2002</u>
Financial position:		
Assets	\$ 40,807	\$ 40,243
Liabilities	<u>(3,015)</u>	<u>(4,316)</u>
	<u>\$ 37,792</u>	<u>\$ 35,927</u>
Net assets:		
Accumulated excess of revenues over expenses	\$ 1,186	\$ 840
Investment in capital assets	72	64
Internally established endowments	18,419	17,526
Endowments	<u>18,115</u>	<u>17,497</u>
	<u>\$ 37,792</u>	<u>\$ 35,927</u>
Results of operations:		
Total revenue	\$ 8,309	\$ 6,538
Total expenses	<u>7,062</u>	<u>5,693</u>
Excess of revenue over expenses	<u>\$ 1,247</u>	<u>\$ 845</u>

ALBERTA CANCER BOARD
NOTES TO FINANCIAL STATEMENTS, CONTINUED
MARCH 31, 2003
(thousands of dollars)

Note 18 Related parties, continued

(d) Cross Cancer Institute Volunteer Association:

The Board exercises significant influence over the Cross Cancer Institute Volunteer Association which was incorporated under the Societies Act of the Province of Alberta to provide services for the care and comfort of patients of the Cross Cancer Institute.

The net revenues were expended by the Association, at its discretion, in accordance with the Board's objectives (see note 1).

	<u>2003</u>	<u>2002</u>
Total assets	\$ 322	\$ 291
Total liabilities	<u>162</u>	<u>87</u>
Net assets	<u>\$ 160</u>	<u>\$ 204</u>
Revenues	\$ 309	\$ 307
Expenses	<u>353</u>	<u>270</u>
Excess of revenues over expenses	<u>\$ (44)</u>	<u>\$ 37</u>

Certain accommodation costs and a portion of salary costs incurred in the administration of the Association are borne by the Board and are included as expenditures of the Board.

ALBERTA CANCER BOARD
NOTES TO FINANCIAL STATEMENTS, CONTINUED

MARCH 31, 2003

(thousands of dollars)

Note 19 Pension costs

The Board participates in the Public Service Pension Plan which is a multi-employer defined benefit plan. The pension expense recorded in these financial statements is equal to the annual contributions payable of \$4,990 for the year ended March 31, 2003 (2002 – \$4,617). At December 31, 2002, the Public Service Pension Plan reported a deficit of \$175,428 (2001 – surplus \$320,487).

Note 20 Trust funds

The Board receives funds in trust from Alberta Health and Wellness and various conference sponsors. These amounts are not reported in the financial statements.

	<u>Deposits</u>	<u>Withdrawals</u>	<u>March 31, 2003</u>	<u>March 31, 2002</u>
Alberta Tobacco				
Reduction Alliance	58	190	–	132
Other trust accounts	<u>348</u>	<u>236</u>	<u>281</u>	<u>169</u>
	<u>\$ 406</u>	<u>\$ 426</u>	<u>\$ 281</u>	<u>\$ 301</u>

Note 21 Drug costs

The cost of cancer drugs is recorded as follows:

	<u>2003</u>	<u>2002</u>
Drug costs included in drugs, gases, medical and surgical supplies per Schedule 1	\$ 40,486	\$ 34,660
Less recoveries included in investment and other income per Statement of Operations	(3,915)	(4,442)
Less billings to patients and third parties included in fees and charges per Statement of Operations	(982)	–
	<u>\$ 35,589</u>	<u>\$ 30,218</u>

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ALBERTA CANCER BOARD
NOTES TO FINANCIAL STATEMENTS, CONTINUED

MARCH 31, 2003

(thousands of dollars)

Note 21 Drug costs, continued

Certain drugs are provided to the Board by pharmaceutical companies to run clinical trials. For those drugs where fair value exists, the value of the drugs are recorded as other income and a cost of this same amount is recorded in drugs, gases, medical and surgical supplies. Drugs under development that are provided to the Board are not recorded in the financial statements as no fair value is determinable. The fair value of drugs provided and recorded in 2003 is \$1,600 (2002 - \$1,600).

Note 22 Comparative figures

Certain 2002 figures have been reclassified to conform to the 2003 presentation.

Note 23 Approval of financial statements

The financial statements have been approved by the Board of Directors.

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ALBERTA CANCER BOARD
SCHEDULE 2 – SALARIES, HONORARIA, BENEFITS, ALLOWANCES AND
SEVERANCE, CONTINUED

MARCH 31, 2003

(thousands of dollars)

- (1) Number of individuals consists of full time equivalents except for Board members.

Full time equivalent has been determined as 2,022.75 hours per employee.
- (2) Salary includes regular base pay, bonuses, overtime, lump sum payments, honoraria and any other remuneration.
- (3) Benefits and allowances include contributions or payments made on behalf of employees including pensions, health care, dental coverage, out of country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short disability plans, as well as the statutory benefits of Canada Pension Plan, Employment Insurance and Workers' Compensation.
- (4) Severance includes all monies paid directly or on behalf of an employee upon termination which are not or have not been included in salaries and benefits.
- (5) The Chief Executive Officer is provided with an automobile; no dollar amount is included under benefits and allowances.
- (6) The salaries of three vice presidents are not reflected on this schedule because their services are rendered through professional corporations.

