Consolidated Financial Statements of

Canadian Blood Services

BLOOD PLASMA STEM CELLS ORGANS & TISSUES

And Independent Auditors' Report thereon

Year ended March 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Members of Canadian Blood Services

Opinion

We have audited the consolidated financial statements of the Canadian Blood Services (the "Entity"), which comprise:

- the consolidated statement of financial position as at March 31, 2019;
- the consolidated statement of operations for the year then ended;
- the consolidated statement of changes in net assets for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- notes to the consolidated financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2019, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian Accounting standards for not-for-profit organizations.

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 Consolidated Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Entity'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 Entity'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 consolidated 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 21, 2019

Canadian Blood Services
BLOOD PLASMA STEM CELLS ORGANS & TISSUES

Consolidated Statement of Financial Position

As at March 31, 2019, with comparative information for 2018
(In thousands of dollars)

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents (note 3)	$ 236,806	$ 205,856
Members' contributions receivable	19,595	33,681
Other amounts receivable	11,561	18,336
Inventory (note 4)	136,720	161,948
Forward currency contracts (note 15)	4,549	4,252
Prepaid expenses	9,011	8,138
	418,242	432,211
Investments, captive insurance operations (note 5)	474,812	461,754
Capital assets (note 6)	281,405	247,383
	$ 1,174,459	$ 1,141,348
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Bank indebtedness (note 9)	$ –	$ 14,000
Accounts payable and accrued liabilities (note 7)	100,586	95,058
Current portion of obligations under capital leases	411	397
	100,997	109,455
Provision for future claims (note 16)	250,000	250,000
Employee future benefit liabilities (note 8)	92,679	83,994
Obligations under capital leases	272	749
Deferred contributions (note 10)	464,331	440,592
Net assets (note 11):		
Invested in capital assets	24,171	24,171
Restricted for fair value of forward currency contracts	4,549	4,252
Restricted for captive insurance purposes	225,971	211,718
Unrestricted net accumulated surplus	11,489	16,417
	266,180	256,558
Guarantees and contingencies (note 17)		
Commitments (note 18)		
	$ 1,174,459	$ 1,141,348

See accompanying notes to the consolidated financial statements.

On behalf of the Board

Mel Cappe, Director and Chair

Judy Steele, Director

Consolidated Statement of Operations

Year ended March 31, 2019, with comparative information for 2018
(In thousands of dollars)

	2019	2018
Revenue:		
Members' contributions	$ 1,154,611	$ 1,272,406
Federal contributions	10,448	9,830
Less amounts deferred	(47,374)	(75,869)
	1,117,685	1,206,367
Amortization of previously deferred contributions:		
Relating to capital assets	20,267	18,379
Relating to operations	7,656	12,350
Total contributions recognized as revenue	1,145,608	1,237,096
Stem cells revenue	15,585	15,387
Net investment income (note 12)	15,693	16,437
Other income	1,783	1,888
Total revenue	**1,178,669**	**1,270,808**
Expenses:		
Cost of plasma protein products	655,604	728,086
Staff costs	301,008	306,161
General and administrative (note 19)	140,518	135,892
Medical supplies	57,594	63,086
Depreciation and amortization	19,994	18,232
Foreign exchange (gain) loss	(6,904)	6,146
Total expenses	**1,167,814**	**1,257,603**
Excess of revenue over expenses before the undernoted	**10,855**	**13,205**
Change in fair value of forward currency contracts	297	5,860
Change in fair value of investments measured at fair value	977	6,860
Excess of revenue over expenses	**$ 12,129**	**$ 25,925**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Year ended March 31, 2019, with comparative information for 2018
(In thousands of dollars)

March 31, 2019	Invested in capital assets	Restricted for fair value of forward currency contracts	Restricted for captive insurance	Unrestricted	Total
Balance, beginning of year (note 11)	$ 24,171	$ 4,252	$ 211,718	$ 16,417	$ 256,558
Reclassification (note 23)	–	–	2,421	(2,421)	–
Excess of revenue over expenses	–	–	11,832	297	12,129
Remeasurements and other items related to employee future benefits	–	–	–	(2,507)	(2,507)
Release of net asset restriction for realized gain	–	(6,894)	–	6,894	–
Change in fair value of forward currency contracts	–	7,191	–	(7,191)	–
Balance, end of year (note 11)	$ 24,171	$ 4,549	$ 225,971	$ 11,489	$ 266,180

March 31, 2018	Invested in capital assets	Restricted for fair value of forward currency contracts	Restricted for captive insurance	Unrestricted	Total
Balance, beginning of year (note 11)	$ 24,171	$ (1,608)	$ 191,653	$ 10,177	$ 224,393
Excess of revenue over expenses	–	–	20,065	5,860	25,925
Remeasurements and other items related to employee future benefits	–	–	–	6,240	6,240
Release of net asset restriction for realized loss	–	6,268	–	(6,268)	–
Change in fair value of forward currency contracts	–	(408)	–	408	–
Balance, end of year (note 11)	$ 24,171	$ 4,252	$ 211,718	$ 16,417	$ 256,558

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018
(In thousands of dollars)

	2019	2018
Cash and cash equivalents provided by (used for):		
Operating activities:		
Excess of revenue over expenses	$ 12,129	$ 25,925
Items not involving cash and cash equivalents:		
Depreciation and amortization of capital assets	19,994	18,232
Amortization of deferred contributions	(27,923)	(30,729)
Gain on sale of capital assets	113	5
Net realized gains on sales of investments, captive insurance operations	(1,404)	(1,497)
Change in fair value of equity investments, captive insurance operations	(977)	(6,860)
Interest amortization of bonds, captive insurance operations	(18)	(1,790)
Employee future benefit expenses in excess of cash payments	6,178	7,467
Change in fair value of forward currency contracts	(297)	(5,860)
	7,795	4,893
Change in non-cash operating working capital:		
Decrease in Members' contributions receivable	14,086	28,927
Decrease in other amounts receivable	6,775	448
Decrease (increase) in inventory	25,228	(3,833)
(Increase) decrease in prepaid expenses	(873)	1,770
Increase in accounts payable and accrued liabilities	3,251	14,958
(Decrease) increase deferred contributions received for expenses of future periods	(1,940)	47,365
Total operating activities	54,322	94,528
Investing activities:		
Proceeds on sale of investments, captive insurance operations	163,206	165,244
Purchases of investments, captive insurance operations	(173,865)	(175,432)
Proceeds on sale of capital assets	160	142
Purchases of capital assets	(52,012)	(27,206)
Total investing activities	(62,511)	(37,252)
Financing activities:		
Repayment of bank indebtedness	(14,000)	(10,000)
Deferred contributions received related to capital assets	53,602	31,542
Repayment of obligations under capital leases	(463)	(351)
Total financing activities	39,139	21,191
Increase in cash and cash equivalents	30,950	78,467
Cash and cash equivalents, beginning of year	205,856	127,389
Cash and cash equivalents, end of year	$ 236,806	$ 205,856
Cash and cash equivalents are comprised of:		
Cash on deposit	$ 236,618	$ 205,670
HSBC Money Market Pooled Fund	188	186
	$ 236,806	$ 205,856

See accompanying notes to the consolidated financial statements.

1. Nature of the organization and operations:

Canadian Blood Services/Société canadienne du sang (the Corporation) owns and operates the national blood supply system for Canada, except Québec, and is responsible for the collection, testing, processing and distribution of blood and blood products, including red blood cells, platelets, plasma and cord blood, , as well as the recruitment and management of donors. In addition, the Corporation provides the following services: (ii) developing and managing donor registries for stem cells, cord blood stem cells and organs, (iii) providing diagnostic services for patients and hospitals across Western Canada and some parts of Ontario, (iv) supporting policy and leading practice development, professional education and public awareness over transfusion practices and organ and tissue donation and transplantation, and (v) conducting and supporting research in transfusion science, medicine, cellular therapies and organ and tissue transplantations.

The Corporation was incorporated on February 16, 1998, under Part II of the Canada Corporations Act. Effective May 7, 2014, the Corporation transitioned its incorporation to the Canada Not-for-Profit Corporations Act. It is a corporation without share capital and qualifies for tax-exempt status as a registered charity under the Income Tax Act (Canada). The Members of the Corporation are the Ministers of Health of the Provinces and Territories of Canada, except Québec. The Members, as well as the Federal and Quebec governments provide contributions to fund the operations of the Corporation. The Corporation operates in a regulated environment, pursuant to the requirements of Health Canada.

The Corporation has established two wholly-owned captive insurance corporations; CBS Insurance Company Limited (CBSI) and Canadian Blood Services Captive Insurance Company Limited/Compagnie d'assurance captive de la société canadienne du sang limitée (CBSE). CBSI was incorporated under the laws of Bermuda on September 15, 1998 and is licensed as a Class 3 reinsurer under the Insurance Act, 1978 of Bermuda and related regulations. CBSE was incorporated under the laws of British Columbia on May 4, 2006 and is registered under the Insurance (Captive Company) Act of British Columbia.

2. Basis of presentation and significant accounting policies:

Significant accounting policies:

The consolidated financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook – Accounting.

2. Basis of presentation and significant accounting policies (continued):

Significant accounting policies (continued):

A summary of the significant accounting policies used in these consolidated financial statements are set out below. The accounting policies have been applied consistently to all periods presented.

(a) Consolidation:

The consolidated financial statements include the results of the operations of Canadian Blood Services and the accounts of its wholly-owned captive insurance subsidiaries.

(b) Use of estimates:

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses in the consolidated financial statements. Estimates and assumptions may also affect disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Actual results could differ from these estimates. Significant estimates include assumptions used in measuring pension and other post-employment benefits and the provision for future insurance claims, which are described in more detail in notes 8 and 16, respectively.

(c) Revenue recognition:

The Corporation follows the deferral method of accounting for contributions for not-for-profit organizations.

Members' and Federal contributions are recorded as revenue in the period to which they relate. Amounts approved but not received by the end of an accounting period are accrued. Where a portion of a contribution relates to a future period, it is deferred and recognized in the subsequent period.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets other than land are initially deferred and then amortized to revenue on a straight-line basis, at a rate corresponding with the depreciation rate for the related capital asset. Contributions restricted for the purchase of land are recognized as direct increases in net assets invested in capital assets.

Unrestricted funding is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from fees and contracts is recognized when the services are provided, or the goods are distributed.

2. Basis of presentation and significant accounting policies (continued):

Significant accounting policies (continued):

(c) Revenue recognition (continued):

Restricted donations are recognized as revenue in the year in which the related expenses are recognized. Unrestricted donations are recognized as revenue in the year received.

(d) Donated goods and services:

The Corporation does not pay donors for whole blood, plasma, platelets or cord donations. Additionally, a substantial number of volunteers contribute a significant amount of time each year in support of the activities of the Corporation. The value of such contributed goods and services is not quantified in the financial statements.

(e) Inventory:

Inventory of the Corporation consists of plasma protein products, fresh blood components, cord blood and supplies related to the collection, manufacturing and testing of fresh blood components.

Inventory is measured at the lower of cost and current replacement cost. Cost for plasma protein products and supplies inventories is measured at average cost. Cost for fresh blood components and cord blood inventory includes an appropriate portion of direct costs and overhead incurred in the collection, manufacturing, testing and distribution processes.

Plasma protein products, cord blood and fresh blood components inventory is charged to the statement of operations upon distribution to hospitals.

Management regularly performs reviews and when necessary, writes off slow moving or obsolete inventory.

(f) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are expensed. Betterments, which extend the estimated life of an asset, are capitalized. When capital assets no longer contribute to the Corporation’s ability to provide services, their carrying amount is written down to their residual value.

2. Basis of presentation and significant accounting policies (continued):

Significant accounting policies (continued):

(f) Capital assets (continued):

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the asset no longer has any long-term service potential to the Corporation. In this event, recoverability of assets held and used is measured by reviewing the estimated residual value of the asset. If the carrying amount of an asset exceeds its estimated residual value, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the residual value of the asset. When a capital asset is written down, the corresponding amount of any unamortized deferred contributions related to the capital asset would be recognized as revenue, provided that the Corporation is in compliance with all restrictions.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets at the rates indicated below:

Asset	Useful life
Buildings	40 to 65 years
Machinery and equipment	8 to 25 years
Furniture and office equipment	5 to 10 years
Motor vehicles	8 years
Computer equipment	3 years
Computer software	2 to 5 years

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term or their estimated useful lives. Assets under construction are not depreciated until they are available for use by the Corporation.

The right to the blood supply system represents the excess of the purchase price of the system over the fair value of the tangible net assets acquired in 1998 and is being amortized on a straight-line basis over 40 years.

The Corporation has future obligations associated with the disposal of certain equipment in an environmentally responsible manner, and the restoration of leased premises to an agreed upon standard at the end of the lease. Where there is a legal obligation associated with the retirement of equipment or restoration of leases premises, the Corporation recognizes an accrual and the costs are capitalized as part of the carrying amount of the related asset and depreciated over the asset's estimated useful life.

2. Basis of presentation and significant accounting policies (continued):

Significant accounting policies (continued):

(g) Foreign currency transactions:

Foreign currency transactions of the Corporation are translated using the temporal method. Under this method, transactions are initially recorded at the rate of exchange prevailing at the date of the transaction. Thereafter, monetary assets and liabilities are adjusted to reflect the exchange rates in effect at the consolidated statement of financial position date. Gains and losses resulting from the adjustment are included in the consolidated statement of operations.

(h) Employee future benefits:

The Corporation sponsors two defined benefit plans, one for employees and the other for executives. In addition, the Corporation sponsors a defined contribution pension plan and provides other retirement and post-employment benefits to eligible employees. Benefits provided under the defined benefit pension plans are based on a member's term of service and average earnings over a member's five highest consecutive annualized earnings.

The Corporation accrues its obligations under employee benefit plans as the employees render the services necessary to earn pension and other retirement and post-employment benefits.

The defined benefit obligations for pensions and other retirement and post-employment benefits earned by employees is measured using an actuarial valuation prepared for accounting purposes. The obligation is actuarially determined using the projected benefit method pro-rated on service and management's best estimate assumptions including discount rate, inflation rate, salary escalation, retirement ages and expected health care costs. The measurement date of the plan assets and defined benefit obligation coincides with the Corporation's fiscal year. The most recent actuarial valuations for the employees and executives benefit pension plans for funding purposes were as of December 31, 2017 and January 1, 2017, respectively. The next required valuation for the employee benefit plan will be as of December 31, 2020. The next required valuation for the executives will be as of January 1, 2020. The most recent actuarial valuation of the other retirement and post-employment benefits was as of April 1, 2018 and the next valuation will be as of April 1, 2021.

Plan assets are measured at fair value as at year end.

The defined benefit pension plan for employees is jointly sponsored by the employer and participating unions. To reflect the risk-sharing provisions of this plan, the Corporation recognizes the 50 percent of the defined benefit liability or asset that accrues to the employer.

The Corporation also has a defined contribution plan providing pension benefits. The cost of the defined contribution plan is recognized based on the contributions required to be made during each period.

2. Basis of presentation and significant accounting policies (continued):

Significant accounting policies (continued):

(h) Employee future benefits (continued):

Termination benefits result from either the Corporation's decision to terminate employment or an employee's decision to accept the Corporation's offer of benefits in exchange for termination of employment. The Corporation recognizes contractual termination benefits when it is probable that employees will be entitled to benefits and the amount can be reasonably estimated. Special termination benefits for voluntary terminations are recognized when employees accept the offer and the amount be reasonably estimated. Special termination benefits for involuntary terminations are recognized when management commits to a detailed plan that establishes the termination benefits, it is communicated in sufficient detail to employees, and the plan will be executed in a reasonable time such that significant changes are not likely.

(i) Financial Instruments:

Upon initial recognition, financial instruments are measured at their fair value. Financial assets and financial liabilities are recognized initially on the trade date, which is the date that the Corporation becomes a party to the contractual provisions of the instrument.

Fixed income securities and short-term notes are measured on the consolidated statement of financial position at amortized cost. Interest income is recognized on the accrual basis and includes the amortization of premiums or discounts on fixed interest securities purchased at amounts different from their par value.

Mortgage funds and pooled funds are measured at fair value with changes in fair value recorded directly in the consolidated statement of operations. Dividends and distributions are recorded as income when declared.

Forward currency contracts not in a qualifying hedging relationship are measured at fair value with changes in fair value recorded directly in the consolidated statement of operations. A forward currency contract designated in a hedging relationship is not recognized until the earlier of the date it matures and the date of the anticipated transaction (the hedged item). The hedged item is recognized initially at the amount of consideration payable based on the prevailing foreign exchange rate on the date of goods or service receipts. At this time, any gain or loss on the forward currency contract is recognized as an adjustment of the carrying value amount of the hedged item when the anticipated transaction results in the recognition of an asset or a liability. When the hedged items are recognized directly in the consolidated statement of operations, the gain or loss on the forward currency contract is included in the same expense or revenue category.

All other financial instruments are subsequently measured at cost or amortized cost.

2. Basis of presentation and significant accounting policies (continued):

Significant accounting policies (continued):

(i) Financial Instruments (continued):

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 cost, which are amortized using the effective interest rate method.

Transaction costs are comprised primarily of legal, accounting, underwriters' fees and other costs directly attributable to the acquisition, issuance or disposal of a financial asset or financial liability.

Financial assets measured at cost or amortized cost are assessed for indicators of impairment on an annual basis at the end of the fiscal year. If there is an indicator of impairment, the Corporation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the higher of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Corporation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

3. Cash and cash equivalents:

Cash and cash equivalents include deposits with financial institutions that can be withdrawn without prior notice or penalty and units held in money market funds.

Cash and cash equivalents include $536 (2018 - $361) that is restricted for captive insurance operations. Cash and cash equivalents also include Members' contributions received in advance for expenses of future periods (note 10(a)).

4. Inventory:

Inventory consists of raw materials, work in process and finished goods. Raw materials include supplies available for use in the collection, manufacturing and testing of fresh blood components. Work in process consists of plasma for fractionation. Finished goods include plasma protein products, red blood cells, platelets and plasma for transfusion and cord blood inventory that are available for distribution to hospitals. Work in process and finished goods inventories include direct costs and overhead incurred in the collection, manufacturing, testing and distribution process.

(In thousands of dollars)

4. Inventory (continued):

Inventory comprises:

	2019	2018
Raw materials	$ 5,239	$ 6,122
Work-in-process	24,173	20,352
Finished goods	107,308	135,474
	$ 136,720	$ 161,948

5. Investments, captive insurance operations:

All investments are restricted for captive insurance operations. The amortized cost and fair value of investments are as follows:

	2019	2018
Measured at amortized cost:		
Short-term notes	$ 5,772	$ 1,921
Fixed income securities	273,924	263,548
Measured at fair value:		
Mortgage funds	29,706	28,602
Pooled funds	165,410	167,683
	$ 474,812	$ 461,754

(In thousands of dollars)

6. Capital assets:

	Cost	Accumulated depreciation	2019 Net book value	2018 Net book value
Land, buildings, software and equipment				
Buildings	$ 182,266	$ 58,410	$ 123,856	$ 127,063
Machinery and equipment	104,168	77,506	26,662	24,175
Land	24,171	–	24,171	24,171
Furniture and office equipment	28,985	21,864	7,121	7,947
Leasehold improvements	27,164	19,841	7,323	8,491
Computer equipment	57,323	49,474	7,849	4,362
Motor vehicles	18,165	11,064	7,101	7,341
Computer software	37,730	35,437	2,293	1,811
Equipment under capital leases	5,090	4,096	994	1,300
Assets under construction	56,873	–	56,873	22,680
	541,935	277,692	264,243	229,341
Right to the blood supply system	35,203	18,041	17,162	18,042
	$ 577,138	$ 295,733	$ 281,405	$ 247,383

During the current year, cash payments of $52,012 (2018 - $27,206) were made to acquire capital assets and capital assets no longer in use with cost of $7,851 and accumulated amortization of $7,580 were written off.

Cost and accumulated amortization of capital assets at March 31, 2018 amounted to $530,700 and $283,317, respectively.

7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $3,088 (2018 - $3,296) which include amounts payable for sales and payroll taxes.

8. Employee future benefits:

The Corporation sponsors two defined benefit pension plans, one for employees and the other for executives. In addition, the Corporation sponsors a defined contribution pension plan and provides other retirement and post-employment benefits to eligible employees.

(In thousands of dollars)

8. Employee future benefits (continued):

The Corporation's defined benefit liabilities included in the consolidated statement of financial position are comprised of the following:

	2019	2018
Defined benefit pension plans	$ 53,234	$ 43,509
Other retirement and post-employment benefit plans	39,445	40,485
Employee future benefit liability	$ 92,679	$ 83,994

(a) Defined benefit pension plans:

Information about the Corporation's defined benefit plans are combined and summarized as follows:

	2019	2018
Defined benefit obligation	$ 541,788	$ 500,735
Fair value of plan assets	438,279	417,056
Defined benefit liability before adjustment for risk sharing provisions	103,509	83,679
Adjustment for risk sharing provisions	50,275	40,170
Defined benefit liability	$ 53,234	$ 43,509

The significant actuarial assumptions adopted in measuring the Corporation's defined benefit plans, defined benefit obligation and benefit cost are summarized as follows:

	2019	2018
Defined benefit obligation:		
Discount rate	3.30%	3.60%
Inflation rate	2.00%	2.00%
Rate of compensation increases	2.00% - 3.25%	2.00% - 3.25%
Mortality Table	CPM 2014-B CPM 2014Publ-B	CPM 2014-B CPM 2014Publ-B
Benefit cost:		
Discount rate	3.60%	3.80%
Rate of compensation increases	2.00% - 3.25%	2.00% - 3. 50%

(In thousands of dollars)

8. Employee future benefits (continued):

(a) Defined benefit pension plans (continued):

Other information about the Corporation’s defined benefit plans is combined and summarized as follows:

	2019	2018
Employer contributions	$ 14,654	$ 13,091
Employee contributions	9,006	8,341
Benefits paid	15,894	16,062
Net expense	18,207	17,986
Remeasurement loss (gain)	6,002	(7,403)

(b) Defined contribution pension plan:

The expense for the Corporation’s defined contribution pension plan was $4,110 (2018 - $4,048).

(c) Other retirement and post-employment benefits:

Information about the Corporation’s other retirement and post-employment benefits is as follows:

	2019	2018
Benefits paid	$ 1,757	$ 1,471
Net expense	4,212	4,043
Remeasurement (gain) loss	(3,399)	1,562
Past service credit	(96)	(399)
Defined benefit liability	39,445	40,485

(In thousands of dollars)

8. Employee future benefits (continued):

(c) Other retirement and post-employment benefits (continued):

The significant actuarial assumptions adopted in measuring the Corporation's other retirement and post-employment defined benefit obligation and benefit cost are as follows:

	2019	2018
Defined benefit obligation:		
Discount rate	3.10% -3.40%	3.30% - 3.70%
Rate of compensation increases	2.00% - 3.25%	2.00% - 3.25%
Mortality Table	CPM 2014-B CPM 2014Publ-B	CPM 2014-B CPM 2014Publ-B
Benefit cost:		
Discount rate	3.30% - 3.70%	3.20% - 3.90%
Rate of compensation increases	2.00% - 3.25%	3.50%

Hospital costs - 4.00% (2018 - 4.50%) per annum;

Drug costs - 6.50% (2018 - 6.87%) per annum, grading down to 4.00% (2018 - 4.50%) per annum in and after 2040 (2018 - 2029);

Other health costs - 4.00% (2018 - 4.50%) per annum.

Termination benefits have been recognized in accounts payable and accrued liabilities on the consolidated statement of financial position and in staff costs in the consolidated statement of operations. At March 31, 2019, $5,633 (2018 - $6,572) is accrued for termination benefits on the consolidated statement of financial position. During the year ended March 31, 2019, movements relating to the accrual included payments of $4,887 (2018 - $5,481), a reversal to opening accrual of $432 (2018 - $1,684) and the establishment of new termination benefits of $4,380 (2018 - $4,691).

9. Credit facilities:

(a) Demand operating credit:

This facility has been arranged as an operating line of credit in the amount of $100,000 and is secured by the plasma protein products inventory. At March 31, 2019, $Nil (2018 - $14,000) was outstanding under the facility.

(b) Demand installment loan:

A demand installment loan in the amount of $25,000 (2018 - $25,000) was arranged to cover contingencies or events not anticipated in the annual budget. Through March 31, 2019, no amounts had been borrowed under this facility.

(c) Standby letter of credit:

Standby letters of credit in the amount of $2,000 (2018 - $2,000) were arranged to cover municipal requirements with regard to the redevelopment of the Corporation's facilities. At March 31, 2019, $82 (2018 - $82) had been issued under the facility.

Pursuant to the arrangements above, the Corporation has provided a general security agreement in favour of the bank over receivables, inventory, equipment and machinery, a floating charge debenture over all present and future assets and property. Amounts deferred for contingency purposes are excluded from the general security agreement and debenture.

(d) Operating loan:

The Corporation has entered into two credit facilities to finance a portion of the national facilities redevelopment program phase IIa (NFRP IIa) focused in Alberta and Saskatchewan. The first facility was negotiated as an $85,000 term loan reducing to $68,000 at March 30, 2019. At the completion of the project, the first facility converts to a committed term loan to a maximum of $55,300. The credit facilities are secured by first ranking on the NFRP IIa assets and any member funding received under the NFRP IIa program. Through March 31, 2019, no amounts had been borrowed under these credit facilities.

(In thousands of dollars)

10. Deferred contributions:

	2019	2018
Expenses of future periods		
Balance, beginning of year	$ 216,743	$ 181,728
Increase in amounts received related to future periods	32,957	64,329
Less amounts recognized as revenue in the year	(7,656)	(12,350)
Less capital assets purchased from deferred contributions	(35,809)	(17,547)
Add income earned on resources restricted for contingency	447	302
Add income earned on other restricted resources	465	281
	207,147	216,743
Capital Assets		
Balance, beginning of year	223,849	210,686
Deferred contributions received	53,602	31,191
Capital funding received for leased assets	–	351
Less capital assets sold	(273)	(147)
Less amounts amortized to revenue	(19,994)	(18,232)
	257,184	223,849
	$ 464,331	$ 440,592

(a) Expenses of future periods:

Deferred contributions represent externally restricted contributions to fund expenses of future periods.

The capital assets purchased represent purchases from contributions that were deferred at March 31, 2018, as well as contributions received and deferred in the year ending March 31, 2019.

(In thousands of dollars)

10. Deferred contributions (continued):

(a) Expenses of future periods (continued):

At March 31, deferred contributions comprise:

	2019	2018
Members' funding received in advance	$ 62,178	$ 44,661
Deferred contributions restricted for specific projects or programs:		
Fundraising:		
Campaign for all Canadians	644	204
Other	607	523
Programs - Members funding:		
National facilities redevelopment program	18,990	49,100
Diagnostic services - Manitoba	750	751
Inventory:		
Plasma protein products inventory working capital	47,653	47,653
Medical supplies	5,239	6,123
Fresh blood components inventory	27,964	22,666
Projects:		
Digitalization	6,578	8,134
Laboratory Information System - Manitoba	1,264	1,345
Other:		
Prepaid rent	1,537	2,306
Research and development	12,589	12,570
Contingency	21,154	20,707
	$ 207,147	$ 216,743

(b) Capital assets:

Funds received to acquire capital assets are recorded as deferred contributions on the consolidated statement of financial position. They are amortized to revenue in the consolidated statement of operations at the same rate as capital assets are depreciated to expenses.

(In thousands of dollars)

11. Net assets:

Net assets restricted for captive insurance purposes are subject to externally imposed restrictions stipulating that they be used to provide insurance coverage with respect to risks associated with the operations of the Corporation.

Net assets restricted for forward contracts are subject to internally imposed restrictions on the unrealized fair value of the forward currency contracts not in a qualifying hedging relationship. This restriction will be released once the forward currency contracts mature.

12. Net investment income:

	2019	2018
Interest income on unrestricted funds	$ 3,324	$ 1,672
Net investment income earned on investments restricted for captive insurance	12,369	14,765
Interest income on restricted resources	912	595
	16,605	17,032
Less amounts deferred	(912)	(595)
	$ 15,693	$ 16,437

Included in net investment income earned on investments restricted for captive insurance is $10,965 (2018 - $13,269) of investment income and $1,404 (2018 - $1,496) of realized gains on sales of investments.

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Year ended March 31, 2019
(In thousands of dollars)

13. Canadian Blood Services revenue and expenses detail:

	Fresh Blood Products and NFRP(1)		Plasma Protein Products		Diagnostic Services		Stem Cells		Organs and Tissues		Total Canadian Blood Services		Captive Insurance Operations		Intercompany Transactions		Total Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue:																		
Members' contributions	$ 437,318	$ 465,431	$ 680,853	$ 767,744	$ 17,091	$ 17,448	$ 15,769	$ 18,203	$ 3,580	$ 3,580	$ 1,154,611	$ 1,272,406	$ –	$ –	$ –	$ –	$ 1,154,611	$ 1,272,406
Federal contributions	6,202	6,250	–	–	–	–	–	–	4,246	3,580	10,448	9,830	–	–	–	–	10,448	9,830
Less amounts deferred	(40,718)	(70,818)	–	–	(232)	(293)	(2,715)	(1,131)	(3,709)	(3,627)	(47,374)	(75,869)	–	–	–	–	(47,374)	(75,869)
	402,802	400,863	680,853	767,744	16,859	17,155	13,054	17,072	4,117	3,533	1,117,685	1,206,367	–	–	–	–	1,117,685	1,206,367
Amortization of previously deferred contributions:																		
Relating to capital assets	20,267	18,379	–	–	–	–	–	–	–	–	20,267	18,379	–	–	–	–	20,267	18,379
Relating to operations	4,082	7,310	–	–	4	–	–	1,470	3,570	3,570	7,656	12,350	–	–	–	–	7,656	12,350
Total contributions recognized as revenue	427,151	426,552	680,853	767,744	16,863	17,155	13,054	18,542	7,687	7,103	1,145,608	1,237,096	–	–	–	–	1,145,608	1,237,096
Gross premiums written and earned	–	–	–	–	–	–	–	–	–	–	–	–	861	947	(861)	(947)	–	–
Stem cells revenue	–	–	–	–	–	–	15,585	15,387	–	–	15,585	15,387	–	–	–	–	15,585	15,387
Net investment income (note 12)	3,324	1,672	–	–	–	–	–	–	–	–	3,324	1,672	12,369	14,765	–	–	15,693	16,437
Other income (loss)	687	815	196	213	–	–	6	(5)	894	865	1,783	1,888	–	–	–	–	1,783	1,888
Total revenue	431,162	429,039	681,049	767,957	16,863	17,155	28,645	33,924	8,581	7,968	1,166,300	1,256,043	13,230	15,712	(861)	(947)	1,178,669	1,270,808
Expenses:																		
Cost of plasma protein products	–	–	655,604	728,086	–	–	–	–	–	–	655,604	728,086	–	–	–	–	655,604	728,086
Staff costs	271,708	273,704	2,016	1,999	12,764	13,509	8,575	11,404	5,945	5,545	301,008	306,161	–	–	–	–	301,008	306,161
General and administrative	114,151	107,054	3,028	4,435	1,183	696	18,006	19,724	2,636	2,423	139,004	134,332	2,375	2,507	(861)	(947)	140,518	135,892
Transfer of recovered plasma costs	(26,400)	(26,400)	26,400	26,400	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Medical supplies	51,742	56,503	772	769	2,916	2,950	2,164	2,864	–	–	57,594	63,086	–	–	–	–	57,594	63,086
Depreciation and amortization	19,994	18,232	–	–	–	–	–	–	–	–	19,994	18,232	–	–	–	–	19,994	18,232
Foreign exchange loss (gain)	(33)	(54)	(6,771)	6,268	–	–	(100)	(68)	–	–	(6,904)	6,146	–	–	–	–	(6,904)	6,146
Total expenses	431,162	429,039	681,049	767,957	16,863	17,155	28,645	33,924	8,581	7,968	1,166,300	1,256,043	2,375	2,507	(861)	(947)	1,167,814	1,257,603
Excess of revenue over expenses before the undernoted	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**10,855**	**13,205**	**–**	**–**	**10,855**	**13,205**
Change in cumulative fair value of forward currency contracts	–	–	297	5,860	–	–	–	–	–	–	297	5,860	–	–	–	–	297	5,860
Change in fair value of investments measured at fair value	–	–	–	–	–	–	–	–	–	–	–	–	977	6,860	–	–	977	6,860
Excess of revenue over expenses	**$ –**	**$ –**	**$ 297**	**$ 5,860**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ 297**	**$ 5,860**	**$ 11,832**	**$ 20,065**	**$ –**	**$ –**	**$ 12,129**	**$ 25,925**

(1) National facilities redevelopment program

(In thousands of dollars)

14. Fresh blood products and national facilities redevelopment program details:

	Fresh Blood Products		National Facilities Redevelopment Program		Total	
	2019	2018	2019	2018	2019	2018
Revenue:						
Members' contributions	$ 431,225	$ 418,407	$ 6,093	$ 47,024	$ 437,318	$ 465,431
Federal contributions	6,202	6,250	–	–	6,202	6,250
Less amounts deferred	(34,625)	(23,794)	(6,093)	(47,024)	(40,718)	(70,818)
	402,802	400,863	–	–	402,802	400,863
Amortization of previously deferred contributions:						
Relating to capital assets	20,267	18,379	–	–	20,267	18,379
Relating to operations	1,704	3,008	2,378	4,302	4,082	7,310
Total contributions recognized as revenue	424,773	422,250	2,378	4,302	427,151	426,552
Net investment income	2,368	1,224	956	448	3,324	1,672
Other income	687	815	–	–	687	815
Total revenue	427,828	424,289	3,334	4,750	431,162	429,039
Expenses:						
Staff costs	270,703	271,365	1,005	2,339	271,708	273,704
General and administrative (note 19)	111,857	104,644	2,294	2,410	114,151	107,054
Transfer of recovered plasma costs	(26,400)	(26,400)	–	–	(26,400)	(26,400)
Medical supplies	51,707	56,502	35	1	51,742	56,503
Depreciation and amortization	19,994	18,232	–	–	19,994	18,232
Foreign exchange gain	(33)	(54)	–	–	(33)	(54)
Total expenses	427,828	424,289	3,334	4,750	431,162	429,039
Excess of revenue over expenses	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**

15. Financial instruments:

Risk management:

The Board of Directors has responsibility for the review and oversight of the Corporation's risk management framework and general corporate risk profile. Through its committees, the Board oversees analysis of various risks facing the organization that evolve in response to economic conditions and industry circumstances.

The Corporation's financial instruments consist of cash and cash equivalents, members' contributions receivable, other amounts receivable, investments, bank indebtedness, accounts payable and accrued liabilities, and forward currency contracts.

The Corporation is exposed to risks as a result of holding financial instruments. The Corporation does not enter into transactions involving financial instruments, including derivative financial instruments such as forward currency contracts, for speculative purposes. The following is a description of those risks and how they are managed.

(In thousands of dollars)

15. Financial instruments (continued):

Risk management (continued):

(i) *Market risk:*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk. These risks are discussed below:

Interest rate risk:

Interest rate risk pertains to the effect of changes in market interest rates on the future cash flows related to the Corporation's existing financial assets and liabilities.

The Corporation is exposed to interest rate risk on its cash and cash equivalents and investments. At March 31, 2019, this exposure was minimal due to low prevailing rates of return and due to majority of fixed income investments having fixed rates.

Foreign currency risk:

Foreign currency risk is the risk that the value or future cash flows of financial instruments will fluctuate as a result of changes in foreign exchange rates. The Corporation is exposed to foreign currency risk on purchases that are denominated in currencies other than the functional currency of the Corporation. To mitigate this risk, the Corporation has a formal foreign currency policy in place. The objective of this policy is to monitor the marketplace and, when considered appropriate, fix exchange rates using forward contracts to reduce the risk exposures related to purchases made in foreign currencies. Generally, forward currency contracts are for periods not in excess of eighteen months.

At March 31, the Corporation had the following instruments denominated in U.S. dollar (USD):

	2019 CDN		2018 CDN	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Cash	$ 916	$ 916	$ 4,995	$ 4,995
Accounts receivable	53	53	53	53
Financial liabilities:				
Accounts payable and accrued liabilities	(12,256)	(12,256)	(13,908)	(13,908)
Forward currency contract assets:				
Designated as hedges	–	10,956	–	10,084
Not designated as hedges	4,549	4,549	4,252	4,252

15. Financial instruments (continued):

Risk management (continued):

(i) Market risk (continued):

Foreign currency risk (continued):

During the years ended March 31, 2019 and 2018, the Corporation entered into forward currency contracts to hedge its foreign currency exposure on a substantial portion of its USD purchases of plasma protein products. The contracts are intended to match the timing of the anticipated future payments in foreign currencies.

The Corporation designated USD $274,406 of the 2019-2020 forward currency contracts as being in a hedging relationship with the equivalent amount of the 2019-2020 future forecasted plasma protein product payments. Hedge accounting has been applied in accordance with CPA Canada Handbook - Accounting, Section 3856, as these hedges are considered to be effective. The forward currency contracts designated as hedges mature monthly from April 2019 through March 2020, at an average rate of 1.29. The USD purchased under the hedging forward currency contracts will be used to pay USD $22,867 per month of USD plasma protein product purchases, creating a net cost for these products that fixes the foreign exchange rate to 1.29.

The remaining forward currency contracts were not designated as hedges of anticipated transactions and, accordingly, hedge accounting was not applied.

The forward currency contracts included on the consolidated statement of financial position represent forward currency contracts that have not been designated in a hedging relationship. The contracts fix the currency rate at 1.29 (2018 - 1.24) on USD $117,602 (2018 - USD $98,100) notional amount and one twelfth of the non-designated forward currency contracts mature monthly from April 2019 through March 2020. These forward currency contracts are recorded at fair value. The fair value of the forward currency contracts is determined using a quote from its forward exchange dealers.

In addition to operational foreign currency risk, investments held by CBS Insurance Company Limited denominated in currencies other than the Canadian dollar expose the Corporation to fluctuations in foreign exchange rates. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a significant impact on the fair value of investments. The Corporation’s exposure to foreign currency arises from its investment of $116,406 in pooled funds (2018 - $111,063) which hold international equities and global fixed income of which $111,492 (2018 - $105,978) is denominated in foreign currencies.

15. Financial instruments (continued):

Risk management (continued):

(i) Market risk (continued):

Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual financial instrument or its issues, or factors affecting similar financial instruments traded in the market.

The Corporation is exposed to other price risk on its mortgage funds and pooled funds due to changes in general economic or stock market conditions, and specific price risk which refers to equity price volatility that is determined by entity specific characteristics. These risks affect the carrying value of these securities and the level and timing of recognition of gains and losses on securities held, causing changes in realized and unrealized gains and losses. The Corporation mitigates price risk by holding a diversified portfolio. The portfolio is managed through the use of third party investment managers and their performance is monitored by management and the Board of Directors of the captive insurance operations.

(ii) Credit risk:

The Corporation is exposed to the risk of financial loss resulting from the potential inability of a counterparty to a financial instrument to meet its contractual obligations. The carrying amount of cash and cash equivalents, Members' contributions receivable and other amounts receivable, and investments, captive insurance operations represent the maximum exposure of the Corporation to credit risk.

Cash and cash equivalents are held with a Canadian financial institution rated by Standard & Poor's credit rating as A+ with a negative outlook. All foreign exchange contracts must be transacted with Schedule I or Schedule II financial institutions as per the Corporation's foreign currency policy.

The Corporation is also exposed to credit risk on fixed income securities investments. The investment policy requires an average credit rating of 'A' on the credit quality of its fixed income portfolio, related to captive insurance operations.

Members' contributions receivable are current in nature and management considers there to be minimal exposure to credit risk from Members due to funding agreements in place and third party Member credit ratings. Standard & Poor's available credit ratings for Members range from A credit watch stable to AAA credit watch stable.

15. Financial instruments (continued):

Risk management (continued):

(ii) Credit risk (continued):

Credit risk associated with other amounts receivable is considered to be minimal, based on past experience with bad debts. The carrying amount of amounts receivable for these parties represents the Corporation's maximum exposure to credit risk.

(iii) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to evaluate current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and cash equivalents. In addition, the Corporation has credit facilities described in note 9 that it can draw on as required.

At March 31, 2019, the Corporation's accounts payable and accrued liabilities and forward currency contracts are all due within one year.

The provision for future claims has no contractual maturity and the timing of settlement will depend on actual claims experience in the future.

The liabilities for employee future benefits are generally long-term in nature and fall due as eligible employees in the Corporation's defined benefit pension plans retire or terminate employment with the Corporation.

16. Captive insurance operations:

The Corporation has established two wholly-owned captive insurance subsidiaries, CBS Insurance Company Limited (CBSI) and Canadian Blood Services Captive Insurance Company Limited/ Compagnie d'assurance captive de la société canadienne du sang limitée (CBSE). CBSI provides insurance coverage up to $250,000 with respect to risks associated with the operation of the blood system. CBSE has entered into an arrangement whereby the Members have agreed to indemnify CBSE for all amounts payable by CBSE under the terms of the excess policy up to $750,000, which is in excess of the $250,000 provided by CBSI. No payment shall be made under CBSE until the limit of the liability under the primary policy in CBSI, in the amount of $250,000, has been exhausted. As a result, the Corporation has $1,000,000 total in coverage. As a result, effective April 1, 2019, the provision for future claims will increase by $50,000 and a corresponding expense will be recognized in the Consolidated Statement of Operations. In turn CBSE's Board approved a decrease in the excess policy from $750,000 to $700,000. The total insurance coverage to the Corporation has been maintained at $1,000,000. As a result, effective April 1, 2019, the provision for future claims will increase by $50,000 and a corresponding expense will be recognized in the Consolidated Statement of Operation.

16. Captive insurance operations (continued):

The provision for future claims is an actuarially based estimate of the cost to the Corporation of settling claims relating to insured events (both reported and unreported) that have occurred to March 31, 2019.

A significant proportion of both the future claims expense for the period and the related cumulative estimated liability of the Corporation for these future claims at March 31, 2019, of $250,000 (2018 - $250,000) covers the manifestation of blood diseases, which is inherently difficult to assess and quantify. There is a variance between these recorded amounts and other reasonably possible estimates.

17. Guarantees and contingencies:

(a) Guarantees:

In the normal course of business, the Corporation enters into lease agreements for facilities and assets acquired under capital leases. In the Corporation's standard commercial lease for facilities the Corporation, as the lessee, agrees to indemnify the lessor and other related third parties for liabilities that may arise from the use of the leased premises where the event triggering liability results from a breach of a covenant, any wrongful act, neglect or default on the part of the tenant or related third parties. However, this clause may be altered through negotiation. In the Corporation’s assets acquired under capital leases both the lessee and the lessor agree to indemnify each other for death or injury to the employees or agents of either party, where the event triggering liability results from negligent acts, omissions or willful misconduct.

The maximum amount potentially payable under any such indemnities cannot be reasonably estimated. The Corporation has liability insurance that relates to the indemnifications described above.

Historically, the Corporation has not made significant payments related to the above-noted indemnities and, accordingly, no liabilities have been accrued in the consolidated financial statements.

(b) Contingencies:

The Corporation is party to legal proceedings in the ordinary course of its operations. In the opinion of management, the outcome of such proceedings will not have a material adverse effect on the Corporation’s financial statements or its activities. Claims and obligations related to the operation of the blood supply system prior to September 28, 1998, and the Canadian Council for Donation and Transplantation prior to April 1, 2008, are not the responsibility of the Corporation.

(In thousands of dollars)

18. Commitments:

At March 31, 2019, the Corporation had the following contractual commitments:

	Vendor commitments	Research and development grants	Operating leases	Total
2019-2020	$ 156,959	$ 2,091	$ 6,740	$ 165,790
2020-2021	1,522	849	3,775	6,146
2021-2022	1,410	511	3,021	4,942
2022-2023	–	152	2,251	2,403
2023-2024	–	–	1,160	1,160
Thereafter	–	–	1,795	1,795
Total	$ 159,891	$ 3,603	$ 18,742	$ 182,236

The research and development grants are funded by contributions included in deferred contributions for future expenses.

19. Research and development:

For the year ended March 31, 2019, the Corporation incurred $12,925 (2018 - $12,968) of expenses related to research and development. These costs are reported in note 13 under Fresh Blood Products and National Facilities Redevelopment Program and are included in general and administrative and staff costs.

20. Related party transactions:

The Members provide funding for the operating budgets of the Corporation. The Corporation enters into other transactions with these related parties in the normal course of business.

Transactions with the defined contribution pension plan, the two defined benefit pension plans, and the other defined retirement and post-employment benefits plan are conducted in the normal course of business. The transactions with these plans consist of contributions as disclosed in note 8, as well as administrative charges totaling $66 (2018 - $56). At March 31, 2019, the net amount due from the Corporation's pension plans is $294 (2018 - $285).

21. Capital disclosures:

The Corporation is a non-share capital corporation and plans its operations to essentially result in an annual financial breakeven position. The Corporation considers its capital to be the sum of its net assets. This definition is used by management and may not be comparable to measures presented by other entities. The Corporation manages capital through a formal and approved budgetary process where funds are allocated following the underlying objectives below:

(a) to provide a safe, secure, cost-effective and accessible supply of blood and blood products, including red blood cells, platelets, cord blood, and plasma protein products, to all Canadians. The Corporation also provides the management of donor registries for stem cells, cord blood stem cells and organs, diagnostic services in certain parts of Canada, and research and development;

(b) to support the Corporation's ability to continue as a going concern;

(c) to meet regulatory and statutory capital requirements related to captive insurance operations; and

(d) to ensure the funding of working capital requirements.

The Corporation evaluates its accomplishment against its objectives annually. The Corporation has complied with all externally imposed capital requirements and there were no changes in the approach to capital management during the period.

The Corporation's captive insurance operations are required to maintain statutory capital and surplus greater than a minimum amount determined as the greater of a percentage of outstanding losses or a given fraction of net written premiums. At March 31, 2019, the Corporation's captive insurance operations were required to maintain a minimum statutory capital and surplus of $37,500 (2018 - $37,500). The actual statutory capital and surplus was $234,453 (2018 - $216,807) and the minimum margin of solvency was therefore met. The Corporation's captive insurance operations were also required to maintain a minimum liquidity ratio whereby the value of its relevant assets is not less than 75% of the amount of its relevant liabilities. At March 31, 2019, the Corporation's captive insurance operations were required to maintain regulatory assets of at least $188,939 (2018 - $188,110). At that date, regulatory assets were $486,371 (2018 - $467,620) and the minimum liquidity ratio was therefore met. The value of regulatory assets differs from that reported on the consolidated statement of financial position as it is determined under a different accounting framework, *International Financial Reporting Standards*.

22. Statutory disclosures:

As required under the Charitable Fundraising Act of Alberta, included in staff costs is $853 (2018 - $867) paid as remuneration to employees whose principal duties involve fundraising.

23. Reclassification:

During the year ended March 31, 2019, the Corporation recorded a transfer of unrestricted net assets to net assets restricted for captive insurance in the amount of $2,421 to adjust the balances for the impact of intercompany eliminations recorded on consolidation in prior years. This reclassification had no impact on the consolidated statement of operations.

24. Comparative information:

Certain 2018 comparative information has been reclassified to conform with the consolidated financial statements presentation adopted in the current year.