
Financial statements of Leucan Inc.

March 31, 2016

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Independent Auditor's Report

To the Members of
Leucan Inc.

We have audited the accompanying financial statements of Leucan Inc. (the "Organization"), which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from donations, the completeness of which is not susceptible of satisfactory audit. Accordingly, our audit of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to revenue, deficiency of revenue over expenses and cash flows from operating activities for the years ended March 31, 2016 and March 31, 2015, assets as at March 31, 2016 and March 31, 2015 and net assets as at March 31, 2016, March 31, 2015 and April 1, 2014. We have also expressed a qualified opinion on the financial statements for the year ended March 31, 2015, due to the possible impact caused by this limitation to our work.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the “Basis for Qualified Opinion” paragraph, the financials statements present fairly, in all material respects, the financial position of Leucan Inc. as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP¹

June 16, 2016

¹ CPA auditor, CA, public accountancy permit No. A120628

Leucan Inc.
Statement of operations
Year ended March 31, 2016

	Notes	2016	2015
		\$	\$
Revenue			
Financing activities	8	8,604,472	8,590,531
Donated goods and services		1,349,652	1,306,177
Donations and bequests		444,060	845,594
Investment revenue		28,322	81,652
Other revenue	9	48,693	66,243
		10,475,199	10,890,197
Expenses			
Financing activities	8	1,875,416	1,871,148
Salaries and employee benefits related to financing activities		1,790,507	1,606,803
Donated goods and services		1,349,652	1,306,177
		5,015,575	4,784,128
Gross excess of revenue over expenses		5,459,624	6,106,069
Other expenses			
Services to the child and its family	10	3,929,837	4,071,036
Grants to clinical research		852,974	1,029,971
Rent and other office expenses related to promotion and development		392,105	346,129
Administrative fees	11	906,019	889,090
Communications		265,012	232,007
		6,345,947	6,568,233
Deficiency of revenue over expenses before the following items		(886,323)	(462,164)
Amortization of incentives advantages related to capital assets		22,395	—
Amortization of capital assets		(129,231)	(138,799)
Deficiency of revenue over expenses		(993,159)	(600,963)

The accompanying notes are an integral part of the financial statements.

Leucan Inc.

Statement of changes in net assets

Year ended March 31, 2016

		2016				2015
		<u>Internally restricted</u>				
Notes	Invested in capital assets	Pediatric oncology centers of Quebec	Sustaina- bility	Unrestricted	Total	Total
	\$	\$	\$	\$	\$	\$
Balance, beginning of year	777,509	744,814	2,000,000	1,025,270	4,547,593	5,148,556
Deficiency of revenue over expenses	(106,836)*	—	—	(886,323)	(993,159)	(600,963)
Net acquisition of capital assets	26,907	—	—	(26,907)	—	—
Transfers	—	186	—	(186)	—	—
Balance, end of year	697,580	745,000	2,000,000	111,854	3,554,434	4,547,593

* Consists of amortization of capital assets, net of amortization of incentives advantages related to capital assets

The accompanying notes are an integral part of the financial statements.

Leucan Inc.
Statement of financial position
Year ended March 31, 2016

	Notes	2016	2015
		\$	\$
Assets			
Current assets			
Cash		474,361	548,946
Investments	3	1,220,317	2,088,961
Accounts receivable		382,318	295,422
Prepaid expenses and supplies		217,943	167,791
		2,294,939	3,101,120
Investments	3	1,033,117	1,129,677
Capital assets	4	970,795	777,509
		4,298,851	5,008,306
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5	420,792	344,626
Deferred revenue	6	—	95,350
		420,792	439,976
Incentives advantages		50,410	20,737
Incentives advantages related to capital assets		273,215	—
		744,417	460,713
Commitments	12		
Net assets			
Invested in capital assets		697,580	777,509
Internally restricted	7	2,745,000	2,744,814
Unrestricted funds		111,854	1,025,270
		3,554,434	4,547,593
		4,298,851	5,008,306

The accompanying notes are an integral part of the financial statements.

Approved by the Board

_____, Director

_____, Director

Leucan Inc.
Statement of cash flows
Year ended March 31, 2016

	2016	2015
	\$	\$
Operating activities		
Deficiency of revenue over expenses	(993,159)	(600,963)
Adjustments for:		
Variation of the repurchase value of the life insurance policies	(4,827)	(8,879)
Variation of the fair value on other investments	28,274	4,992
Amortization of capital assets	129,231	138,799
Amortization of incentives advantages	(25,778)	(36,650)
Increase of incentives advantages	55,451	6,198
Amortization of incentives advantages related to capital assets	(22,395)	—
	(833,203)	(496,503)
Changes in non-cash operating working capital items		
Accounts receivable	(86,896)	56,879
Prepaid expenses and supplies	(50,152)	6,825
Accounts payable and accrued liabilities	(19,184)	(255,761)
	(156,232)	(192,057)
	(989,435)	(688,560)
Investing activities		
Acquisition of capital assets	(322,517)	(31,679)
Variation of investments – net amount	941,757	423,217
	619,240	391,538
Financing activities		
Increase of incentives advantages related capital assets	295,610	—
Payment of the obligation under capital lease	—	(349)
	295,610	(349)
Net decrease in cash	(74,585)	(297,371)
Cash, beginning of year	548,946	846,317
Cash, end of year	474,361	548,946

The accompanying notes are an integral part of the financial statements.

Leucan Inc.

Notes to the financial statements

March 31, 2016

1. Description of the business

Leucan Inc. (the "Organization"), constituted under Part III of the *Companies Act* (Quebec), is a not-for-profit organization whose mission is to favour the well-being, recovery and re-establishment of children who have cancer and to support their families.

2. Accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Under this method, the restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Organization becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost except for the portfolio investments, which are measured at fair value at the statement of financial position date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment revenue.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statement of operations as other revenue.

With respect to financial assets measured at amortized cost, the Organization recognizes in the statement of operations an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in the statement of operations in the period the reversal occurs.

Supplies

Supplies are valued at the lower of cost, which is determined on the basis of the latest invoice price or replacement value. Cost is determined on the first-in, first-out basis. The total amount of expensed supplies is \$26,988 (\$63,541 in 2015).

2. Accounting policies (continued)

Capital assets

Capital assets are recorded at cost and are amortized over their estimated useful life using the straight-line method over the following rates or terms:

Office furniture	Declining balance	20%
Computers	Declining balance	30%
Leasehold improvements	Straight-line	Term of lease
Building	Straight-line	40 years

Incentives advantages

The incentives advantages for the Organization's leases are recognized on a straight-line basis over the term of the lease. The difference between the recorded expenses and the amounts payable under the term of the lease is presented in the liabilities under "Incentives advantages".

The incentives advantages related to capital assets for the Organization's head office are deferred and recognized as revenue over the term lease, which is the sale bases of related capital assets.

Donated goods and services

The value of donated goods and services is recorded as revenue and expense in the financial statements when the fair value can be reasonably estimated and when the goods and services are normally purchased and would be paid for if not donated.

Furthermore, each year, many volunteers give a considerable amount of their time to the Organization to make sure that it can provide its services. Due to the difficulty in determining the fair value of the contributions received in the form of services, these services are not recognized in the financial statements.

Disclosure of allocated expenses

The Organization has commitments in five segments: financing activities, services to the child and his family, administrative expenses related to promotions and development, administrative expenses and communications. For these segments, the Organization covers a certain number of operating expenses.

The rent and other office expenses are allocated proportionately on the same percentage as the direct salaries and benefits of persons working in each segment. The salaries and employee benefits of the head office are allocated proportionately based on the direct salaries and benefits of employees in each segment.

The amounts included in communications are \$160,601 (\$155,557 in 2015). Other amounts allocated to the segments are presented separately in the statements of operations and in Notes 10 and 11.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Since the preparation of the financial information requires the use of estimates, actual results could differ from those presented.

Leucan Inc.
Notes to the financial statements
 March 31, 2016

3. Investments

	2016	2015
	\$	\$
Cash with broker	105,082	12,033
Mutual funds of the Canadian monetary market	794,832	1,292,779
Bonds, nominal value of \$1,211,000, maturing until January 2020, at interest rates varying between 2.65% and 5.00% (nominal value of \$1,745,000, maturing until June 2019, at interest rates varying between 2.58% and 5.00% as at March 31, 2015)	1,260,940	1,826,073
Repurchase value of life insurance policies	92,580	87,753
	2,253,434	3,218,638
Current portion	1,220,317	2,088,961
	1,033,117	1,129,677

Investment policy

The Organization has adopted an investment policy. This policy limits the allocation of invested assets. The following allocations have been authorized:

	Target	Minimum	Maximum
	%	%	%
Short-term investments	30	15	50
Long-term fixed income investments	70	50	85
Bonds	40	—	—
Corporate bonds	30	—	—

The Organization's assets may be invested in the following types of Canadian or foreign investments:

- cash or money market securities issued by governments or public companies and rated at least "R-1";
- bonds, debentures, notes, preferred shares and other debt securities issued by governments, government agencies or public companies, including mortgage securities or asset-backed securities. All debt securities must be rated at least "A-".

4. Capital assets

	2016			2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	63,000	—	63,000	63,000
Office furniture	321,965	277,255	44,710	49,635
Computers	627,788	529,252	98,536	136,574
Leasehold improvements	477,316	102,278	375,038	127,618
Building	446,852	57,341	389,511	400,682
	1,936,921	966,126	970,795	777,509

5. Accounts payable and accrued liabilities

	2016	2015
	\$	\$
Accounts payable and accrued liabilities	88,136	58,392
Salaries and vacations	332,656	281,712
Government remittances	—	4,522
	420,792	344,626

6. Deferred revenue

The balance as at March 31, 2015, comprised an amount of \$83,350 received from the SAQ SEMB Leucan CSN fund, and an amount of \$12,000 received from the AMAL Foundation which need to be used for a summer camp project for the children. The summer camp took place in July 2015, consequently, the amount of \$95,350 was recorded as revenue during the year.

7. Internally restricted net assets

The following amounts are internally restricted following a resolution by the Board of Directors:

	2016	2015
	\$	\$
Support fund for Quebec pediatric oncology centres ⁽ⁱ⁾	745,000	744,814
Sustainability fund ⁽ⁱⁱ⁾	2,000,000	2,000,000
	2,745,000	2,744,814

⁽ⁱ⁾ This amount is held in reserve to stabilize the financial support that the Organization will provide to Quebec pediatric oncology centres.

⁽ⁱⁱ⁾ A maximum amount of \$2,000,000 is held in reserve in order to ensure the continuity of the Organization's operations should it have a deficit year.

Leucan Inc.**Notes to the financial statements**

March 31, 2016

8. Financing activities

	2016		2015	
	Revenue	Expenses	Revenue	Expenses
	\$	\$	\$	\$
Annual campaigns	5,836,733	1,293,464	6,186,483	1,201,521
Corporate events	1,002,326	397,512	887,145	491,049
Third-party activities	1,704,609	183,601	1,409,325	159,378
Foundations and social activities	48,699	47	62,586	8
Other	12,105	792	44,992	19,192
	8,604,472	1,875,416	8,590,531	1,871,148

9. Other revenue

	2016	2015
	\$	\$
Rent	24,156	13,933
Cash sponsorships	11,197	17,281
Contributions to activities	5,133	3,880
Government programs	4,272	17,278
Membership fees	3,935	3,995
Donations of goods and services	—	3,300
Other	—	6,576
	48,693	66,243

10. Services to the child and its family

	2016	2015
	\$	\$
Salaries and employee benefits	1,629,707	1,628,632
Financial assistance	760,817	714,452
Summer camp and Christmas party	247,974	252,707
Social and recreational and social and affective activities	284,576	402,723
Massotherapy	464,536	536,677
Rent and other office expenses	337,937	350,797
Donations of goods and services and playrooms	27,615	30,377
Sensitization and promoting awareness	176,675	154,671
	3,929,837	4,071,036

Leucan Inc.
Notes to the financial statements
 March 31, 2016

11. Administrative fees

	2016	2015
	\$	\$
Salaries and employee benefits	695,866	673,547
Rent and other office expenses	144,296	145,096
Professional fees	48,480	51,092
Other expenses	17,377	19,355
	906,019	889,090

12. Commitments

The following minimum payments are required under head office and regional leases and a service contract:

	\$
2017	374,111
2018	299,310
2019	187,554
2020	158,146
2021	188,904
2022 and after	992,938
Total of future minimum payments	<u>2,200,963</u>

13. Financial instruments

Due to its financial assets, the Organization is exposed to the following risks:

Interest rate risk

The investments in bonds bear interest at fixed rates. Consequently, a change in the market interest rates would have an impact on the fair value of these investments.

Credit risk

The Organization is also exposed to credit risk as it owns bond investments. As such, there is a risk that an issuer would not meet its obligations towards the Organization, which would have an impact on the Organization's assets.