

---

# Financial statements of Leucan Inc.

March 31, 2015

---

---

Independent auditor's report.....	1-2
Statement of operations.....	3
Statement of changes in net assets.....	4
Statement of financial position.....	5
Statement of cash flows.....	6
Notes to the financial statements.....	7-13

---

## 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, 2015, 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, 2015 and March 31, 2014, assets as at March 31, 2015 and March 31, 2014 and net assets as at March 31, 2015, March 31, 2014 and April 1, 2013. We have also expressed a qualified opinion on the financial statements for the year ended March 31, 2014, due to the possible impact caused by this limitation to our work.

*Qualified Opinion*

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion” paragraph, the financial statement present fairly, in all material respects, the financial position of Leucan Inc. as at March 31, 2015, 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 LLP<sup>1</sup>

June 18, 2015

---

<sup>1</sup> CPA auditor, CA, public accountancy permit No. A120628

**Leucan Inc.**  
**Statement of operations**  
Year ended March 31, 2015

	Notes	<b>2015</b>	<b>2014</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>			
Financing activities	8	<b>8,590,531</b>	9,334,443
Donated goods and services		<b>1,306,177</b>	1,475,870
Donations and bequests		<b>845,594</b>	786,396
Investment revenue		<b>81,652</b>	62,170
Other revenues	9	<b>66,243</b>	143,577
		<b>10,890,197</b>	11,802,456
<b>Expenses</b>			
Financing activities	8	<b>1,871,148</b>	1,879,976
Salaries and employee benefits related to financing activities		<b>1,606,803</b>	1,643,236
Donated goods and services		<b>1,306,177</b>	1,475,870
		<b>4,784,128</b>	4,999,082
Gross excess of revenue over expenses		<b>6,106,069</b>	6,803,374
<b>Other expenses</b>			
Services to the child and its family	10	<b>4,071,036</b>	4,250,895
Grants to clinical and fundamental research		<b>1,029,971</b>	1,088,259
Rent and other office expenses related to promotion and development		<b>346,129</b>	303,759
Administrative fees	11	<b>889,090</b>	886,496
Communications		<b>232,007</b>	265,737
Amortization of capital assets		<b>138,799</b>	159,915
		<b>6,707,032</b>	6,955,061
Deficiency of revenue over expenses		<b>(600,963)</b>	(151,687)

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

**Leucan Inc.**

**Statement of changes in net assets**

Year ended March 31, 2015

	Notes	Internally restricted					2015	2014		
		Invested in capital assets	Oncology unit – Quebec	Pediatric oncology centers of Quebec	Sustaina- bility	Unrestricted			Total	Total
Balance, beginning of year		884,629	87,679	894,814	2,000,000	1,281,434	5,300,243			
Deficiency of revenue over expenses		(138,799)*	—	—	—	(462,164)	(151,687)			
Acquisition of capital assets		31,679	—	—	—	(31,679)	—			
Transfers	7	—	(87,679)	(150,000)	—	237,679	—			
Balance, end of year		777,509	—	744,814	2,000,000	1,025,270	5,148,556			

\* Consists of amortization of capital assets

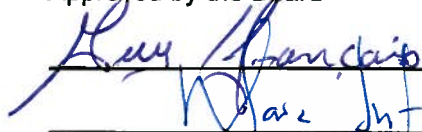

The accompanying notes are an integral part of these financial statements.

**Leucan Inc.**  
**Statement of financial position**  
Year ended March 31, 2015

	Notes	<b>2015</b>	<b>2014</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash		<b>548,946</b>	846,317
Investments	3	<b>2,088,961</b>	1,772,343
Accounts receivable		<b>295,422</b>	352,301
Prepaid expenses and supplies		<b>167,791</b>	174,616
		<b>3,101,120</b>	3,145,577
Investments	3	<b>1,129,677</b>	1,865,625
Capital assets	4	<b>777,509</b>	884,629
		<b>5,008,306</b>	5,895,831
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	5	<b>344,626</b>	600,387
Deferred revenue	6	<b>95,350</b>	95,350
Current portion of obligation under capital lease		—	349
Incentives advantages		<b>16,295</b>	36,133
		<b>456,271</b>	732,219
Incentives advantages		<b>4,442</b>	15,056
		<b>460,713</b>	747,275
Commitments	12		
<b>Net assets</b>			
Invested in capital assets		<b>777,509</b>	884,629
Internally restricted	7	<b>2,744,814</b>	2,982,493
Unrestricted funds		<b>1,025,270</b>	1,281,434
		<b>4,547,593</b>	5,148,556
		<b>5,008,306</b>	5,895,831

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

Approved by the Board

 \_\_\_\_\_, Director  
 \_\_\_\_\_, Director

**Leucan Inc.**  
**Statement of cash flows**  
Year ended March 31, 2015

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Deficiency of revenue over expenses	<b>(600,963)</b>	(151,687)
Adjustments for:		
Variation of the repurchase value of the life insurance policies	<b>(8,879)</b>	(6,751)
Variation of the fair value on other investments	<b>4,992</b>	27,811
Amortization of capital assets	<b>138,799</b>	159,915
Amortization of incentives advantages	<b>(36,650)</b>	(36,133)
Increase of incentives advantages	<b>6,198</b>	—
	<b>(496,503)</b>	(6,845)
Changes in non-cash operating working capital items		
Accounts receivable	<b>56,879</b>	(219,898)
Prepaid expenses and supplies	<b>6,825</b>	12,126
Accounts payable and accrued liabilities	<b>(255,761)</b>	(67,931)
	<b>(192,057)</b>	(275,703)
	<b>(688,560)</b>	(282,548)
<b>Investing activities</b>		
Acquisition of capital assets	<b>(31,679)</b>	(147,181)
Variation of investments – net amount	<b>423,217</b>	(87,954)
	<b>391,538</b>	(235,135)
<b>Financing activities</b>		
Payment of the obligation under capital lease	<b>(349)</b>	(648)
Net decrease in cash	<b>(297,371)</b>	(518,331)
Cash, beginning of year	<b>846,317</b>	1,364,648
<b>Cash, end of year</b>	<b>548,946</b>	846,317

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



**1. Description of the business**

Leucan Inc. (the "Organization"), constituted under Part III of the *Companies Act* (Québec), 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 revenues.

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 \$63,541 (\$66,217 in 2014).

**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
Equipment under capital lease	Straight-line	3 years
Building	Straight-line	40 years
Rolling stock	Straight-line	3 years

*Incentives advantages*

The incentives advantages for the Organization's head office lease 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."

*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 \$189,066 (\$191,160 in 2014). Other amounts allocated to the segments are presented separately in the statements of operations and in Notes 10 and 11.

**2. Accounting policies (continued)**

*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.

**3. Investments**

	<b>2015</b>	2014
	\$	\$
Cash with broker	<b>12,033</b>	21,971
Mutual funds of the Canadian monetary market	<b>1,292,779</b>	1,011,760
Bonds, nominal value of \$1,745,000, maturing until June 2019, at interest rates varying between 2.58% and 5.00% (nominal value of \$2,425,000, maturing until July 2018, at interest rates varying between 2.58% and 5.00% as at March 31, 2014)	<b>1,826,073</b>	2,525,363
Repurchase value of life insurance policies	<b>87,753</b>	78,874
	<b>3,218,638</b>	3,637,968
Current portion	<b>2,088,961</b>	1,772,343
	<b>1,129,677</b>	1,865,625

*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	—	—

**Leucan Inc.**  
**Notes to the financial statements**  
 March 31, 2015

**3. Investments (continued)**

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**

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	63,000	—	63,000	63,000
Office furniture	316,408	266,773	49,635	62,044
Computers	622,343	485,769	136,574	179,545
Leasehold improvements	468,983	341,365	127,618	167,245
Equipment under capital lease	—	—	—	179
Building	446,852	46,170	400,682	411,854
Rolling stock	—	—	—	762
	<b>1,917,586</b>	<b>1,140,077</b>	<b>777,509</b>	<b>884,629</b>

**5. Accounts payable and accrued liabilities**

	2015	2014
	\$	\$
Accounts payable and accrued liabilities	58,392	69,834
Salaries and vacations	281,712	504,627
Government remittances	4,522	25,926
	<b>344,626</b>	<b>600,387</b>

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

March 31, 2015

**6. Deferred revenue**

The balance as at March 31, 2015 comprises an amount of \$83,350 received from the SAQ SEMB Leucan CSN fund, which will be used for a summer camp project for the children, and an amount of \$12,000 received from the AMAL Foundation for this project. These amounts were received in prior years and the summer camp project is scheduled for fiscal year 2016.

**7. Internally restricted net assets**

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

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Oncology unit – Quebec <sup>(i)</sup>	—	87,679
Support fund for Quebec pediatric oncology centres <sup>(ii)</sup>	<b>744,814</b>	894,814
Sustainability fund <sup>(iii)</sup>	<b>2,000,000</b>	2,000,000
	<b>2,744,814</b>	<b>2,982,493</b>

(i) This amount was reallocated to unrestricted funds following a further resolution of the Board.

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

(iii) 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.

**8. Financing activities**

	<b>2015</b>		<b>2014</b>	
	<b>Revenues</b>	<b>Expenses</b>	<b>Revenues</b>	<b>Expenses</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Annual campaigns	<b>6,186,483</b>	<b>1,201,521</b>	6,560,095	1,131,045
Corporate events	<b>887,145</b>	<b>491,049</b>	1,194,955	538,869
Third-party activities	<b>1,409,325</b>	<b>159,378</b>	1,453,064	207,732
Foundations and social activities	<b>62,586</b>	<b>8</b>	76,468	17
Other	<b>44,992</b>	<b>19,192</b>	49,861	2,313
	<b>8,590,531</b>	<b>1,871,148</b>	<b>9,334,443</b>	<b>1,879,976</b>

**Leucan Inc.**  
**Notes to the financial statements**  
 March 31, 2015

---

**9. Other revenues**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Donations of goods and services	<b>3,300</b>	69,761
Contributions to activities	<b>3,880</b>	4,065
Cash sponsorships	<b>17,281</b>	7,504
Government programs	<b>17,278</b>	18,474
Membership fees	<b>3,995</b>	3,580
Rent	<b>13,933</b>	26,704
Other	<b>6,576</b>	13,489
	<b>66,243</b>	143,577

**10. Services to the child and its family**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Salaries and employee benefits	<b>1,628,632</b>	1,686,056
Financial assistance	<b>714,452</b>	762,146
Summer camp and Christmas party	<b>252,707</b>	263,158
Social and recreational and social and affective activities	<b>402,723</b>	462,679
Massotherapy	<b>536,677</b>	483,971
Rent and other office expenses	<b>350,797</b>	311,675
Donations of goods and services and playrooms	<b>30,377</b>	104,052
Sensitization and promoting awareness	<b>154,671</b>	177,158
	<b>4,071,036</b>	4,250,895

**11. Administrative fees**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Salaries and employee benefits	<b>673,547</b>	673,777
Rent and other office expenses	<b>145,096</b>	124,550
Professional fees	<b>51,092</b>	54,823
Other expenses	<b>19,355</b>	33,346
	<b>889,090</b>	886,496

**12. Commitments**

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

	\$
2016	358,071
2017	341,031
2018	290,355
2019	187,554
2020	158,146
2021 and after	1,181,832
Total of future minimum payments	<u>2,516,989</u>

**13. Financial instruments**

Due to its financial assets and liabilities, 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.