
Financial statements of
Leucan Inc.

March 31, 2017

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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, 2017, 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, excess (deficiency) of revenue over expenses and cash flows from operating activities for the years ended March 31, 2017 and March 31, 2016, assets as at March 31, 2017 and March 31, 2016 and net assets as at March 31, 2017, March 31, 2016 and April 1, 2015. We have also expressed a qualified opinion on the financial statements for the year ended March 31, 2016, 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 financial statements present fairly, in all material respects, the financial position of Leucan Inc. as at March 31, 2017, 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.

Debitte LLP¹

June 22, 2017

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

Leucan Inc.
Statement of operations
Year ended March 31, 2017

	Notes	2017	2016
		\$	\$
Revenue			
Financing activities	7	10,188,131	8,615,669
Donated goods and services		1,398,180	1,349,652
Donations and bequests		543,036	444,060
Investment revenue		29,613	28,322
Other revenue	8	49,195	37,496
		<u>12,208,155</u>	<u>10,475,199</u>
Expenses			
Financing activities	7	2,126,123	1,875,416
Salaries and employee benefits related to financing activities		1,851,037	1,790,507
Donated goods and services		1,398,180	1,349,652
		<u>5,375,340</u>	<u>5,015,575</u>
Gross excess of revenue over expenses		<u>6,832,815</u>	<u>5,459,624</u>
Other expenses			
Services to the child and its family	9	3,678,330	3,929,837
Grants to clinical research		868,282	852,974
Rent and other office expenses related to promotion and development		416,263	392,105
Administrative fees	10	774,361	906,019
Communications		259,185	265,012
		<u>5,996,421</u>	<u>6,345,947</u>
Excess (deficiency) of revenue over expenses before the following items		836,394	(886,323)
Amortization of Incentives advantages related to capital assets		26,873	22,395
Amortization of capital assets		(107,687)	(129,231)
Loss on impairment of capital assets		(110,000)	—
Excess (deficiency) of revenue over expenses		<u>645,580</u>	<u>(993,159)</u>

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

Leucan Inc.

Statement of changes in net assets
Year ended March 31, 2017

	Internally restricted				2017	2016
	Invested in capital assets	Pediatric oncology centers of Quebec	Sustainability	Unrestricted	Total	Total
	\$	\$	\$	\$	\$	\$
Balance, beginning of year	697,580	745,000	2,000,000	111,854	3,554,434	4,547,593
Excess (deficiency) of revenue over expenses	(190,814)*	—	—	836,394	645,580	(993,159)
Acquisition of capital assets	23,069	—	—	(23,069)	—	—
Balance, end of year	529,835	745,000	2,000,000	925,179	4,200,014	3,554,434

Notes

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* Consists of amortization of capital assets and loss on impairment of capital assets, net of amortization of incentives advantages related to capital assets

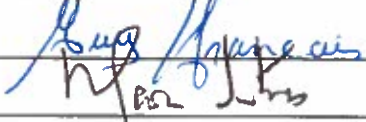

The accompanying notes are an integral part of the financial statements.

Leucan Inc.
Statement of financial position
As at March 31, 2017

	Notes	2017	2016
		\$	\$
Assets			
Current assets			
Cash		1,152,790	474,361
Investments	3	1,398,934	1,220,317
Accounts receivable		59,803	382,318
Prepaid expenses and supplies		217,753	217,943
		2,829,280	2,294,939
Investments	3	1,434,111	1,033,117
Capital assets	4	776,177	970,795
		5,039,568	4,298,851
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5	521,975	420,792
Incentives advantages		71,237	50,410
Incentives advantages related to capital assets		246,342	273,215
		839,554	744,417
Commitments	12		
Net assets			
Invested in capital assets		529,835	697,580
Internally restricted	6	2,745,000	2,745,000
Unrestricted		925,179	111,854
		4,200,014	3,554,434
		5,039,568	4,298,851

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, 2017

	2017	2016
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses	645,580	(993,159)
Adjustments for		
Variation of the repurchase value of the life insurance policies	(7,133)	(4,827)
Variation of the fair value on other investments	(6,335)	28,274
Amortization of capital assets	107,687	129,231
Loss on impairment of capital assets	110,000	—
Amortization of incentives advantages	(7,915)	(25,778)
Increase of incentives advantages	28,742	55,451
Amortization of incentives advantages related to capital assets	(26,873)	(22,395)
	843,753	(833,203)
Changes in non-cash operating working capital items		
Accounts receivable	322,515	(86,896)
Prepaid expenses and supplies	190	(50,152)
Accounts payable and accrued liabilities	101,183	(19,184)
	423,888	(156,232)
	1,267,641	(989,435)
Investing activities		
Acquisition of capital assets	(23,069)	(322,517)
Variation of investments – net amount	(566,143)	941,757
	(589,212)	619,240
Financing activities		
Increase of incentives advantages related capital assets	—	295,610
Net increase (decrease) in cash	678,429	(74,585)
Cash, beginning of year	474,361	548,946
Cash, end of year	1,152,790	474,361

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

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. The Organization is designated as a registered charity under the *Income Tax Act*.

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 or replacement value. Cost is determined on the first-in, first-out basis. The total amount of expensed supplies is \$30,802 (\$26,988 in 2016).

2. Accounting policies (continued)

Capital assets

Capital assets are recorded at cost and are amortized over their estimated useful life using the following methods, 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 same basis as 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 salaries and employee benefits of the head office, the rent and other office expenses are allocated proportionately based on the direct salaries and benefits of employees in each of the following segments:

- (a) Financing activities;
- (b) Services to the child and its family;
- (c) Administrative fees;
- (d) Communications.

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

	<u>2017</u>	<u>2016</u>
	\$	\$
Cash with broker	94,652	105,082
Mutual funds of the Canadian monetary market	732,089	794,832
Bonds, nominal value of \$1,829,812, maturing until December 2022 , at interest rates varying between 1.60% and 4.60% (nominal value of \$1,211,000, maturing until January 2020, at interest rates varying between 2.65% and 5.00% as at March 31, 2016)	1,906,591	1,260,940
Repurchase value of life insurance policies	99,713	92,580
	<u>2,833,045</u>	<u>2,253,434</u>
Current portion	1,398,934	1,220,317
	<u>1,434,111</u>	<u>1,033,117</u>

4. Capital assets

			<u>2017</u>	<u>2016</u>
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	63,000	—	63,000	63,000
Office furniture	321,965	286,197	35,768	44,710
Computers	650,857	562,274	88,583	98,536
Leasehold improvements	421,180	131,063	290,117	375,038
Building	446,852	148,143 ⁽¹⁾	298,709	389,511
	<u>1,903,854</u>	<u>1,127,677</u>	<u>776,177</u>	<u>970,795</u>

⁽¹⁾ The amount of accumulated amortization includes impairment of \$110,000 accounted in 2017.

5. Accounts payable and accrued liabilities

	<u>2017</u>	<u>2016</u>
	\$	\$
Accounts payable and accrued liabilities	123,927	88,136
Salaries and vacations	398,048	332,656
	<u>521,975</u>	<u>420,792</u>

6. Internally restricted net assets

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

	<u>2017</u>	<u>2016</u>
	\$	\$
Support fund for Quebec pediatric oncology centres ⁽ⁱ⁾	745,000	745,000
Sustainability fund ⁽ⁱⁱ⁾	<u>2,000,000</u>	<u>2,000,000</u>
	<u>2,745,000</u>	<u>2,745,000</u>

- (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.

7. Financing activities

	<u>2017</u>		<u>2016</u>	
	Revenue	Expenses	Revenue	Expenses
	\$	\$	\$	\$
Annual campaigns	6,289,271	1,326,109	5,836,733	1,293,464
Corporate events	1,294,047	475,740	1,002,326	397,512
Third-party activities	2,480,025	323,384	1,715,806	183,601
Foundations and social clubs	112,695	—	48,699	—
Other	12,093	890	12,105	839
	<u>10,188,131</u>	<u>2,126,123</u>	<u>8,615,669</u>	<u>1,875,416</u>

8. Other revenue

	<u>2017</u>	<u>2016</u>
	\$	\$
Rent	18,801	24,156
Contributions to activities	4,320	5,133
Government programs	13,628	4,272
Membership fees	3,030	3,935
Other	9,416	—
	<u>49,195</u>	<u>37,496</u>

9. Services to the child and its family

	2017	2016
	\$	\$
Salaries and employee benefits	1,505,466	1,629,707
Financial assistance	741,288	760,817
Summer camp and Christmas party	240,322	247,974
Social and recreational and social and affective activities	290,053	284,576
Massotherapy	386,458	464,536
Rent and other office expenses	317,184	337,937
Donations of goods and services and playrooms	24,768	27,615
Sensitization and promoting awareness	172,791	176,675
	3,678,330	3,929,837

10. Administrative fees

	2017	2016
	\$	\$
Salaries and employee benefits	591,624	695,866
Rent and other office expenses	124,649	144,296
Professional fees	40,194	48,480
Other expenses	17,894	17,377
	774,361	906,019

11. Allocation of expenses

Salaries and employee benefits of general management, rent and other office fees are allocated as follows:

	2017	2016
	\$	\$
Financing activities	479,023	461,062
Services to the child and its family	431,908	461,010
Administrative fees	153,104	179,188
Communications	28,210	27,570
	1,092,245	1,128,830

12. Commitments

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

	\$
2018	301,870
2019	214,639
2020	185,696
2021	216,919
2022	220,662
2023 and after	807,905
	<u>1,947,691</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.

14. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.