

Leucan Inc.

**Financial Statements
March 31, 2020**



Independent auditor's report

To the Members of
Leucan Inc.

Our qualified opinion

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Leucan Inc. (the Organization) as at March 31, 2020 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 (ASNPO).

What we have audited

The Organization's financial statements comprise:

- the balance sheet as at March 31, 2020;
- the statement of changes in net assets for the year then ended;
- the statement of operations for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to financial statements, which include a summary of significant accounting policies.

Basis for qualified opinion

In common with many not-for-profit organizations, the Organization derives revenues from donations and financing activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, excess of expenses over revenues and cash flows from operating activities for the year ended March 31, 2020, and current assets and net assets as at March 31, 2020. Our audit opinion on the financial statements for the year ended March 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

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PwC refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership.



Independence

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 these 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 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 Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

PricewaterhouseCoopers LLP¹

Montréal, Quebec
July 10, 2020

¹ CPA auditor, CA, public accountancy permit No. A116819

Leucan Inc.
Balance Sheet
As at March 31, 2020

	Note	2020 \$	2019 \$
Assets			
Current assets			
Cash			
Investments			
Accounts receivable	3	1,470,682	1,754,354
Prepaid expenses and supplies		704,321	881,517
		76,417	332,356
		256,843	251,305
		<u>2,508,263</u>	<u>3,219,532</u>
Investments	3	2,698,272	2,486,533
Capital assets	4	802,093	769,192
		<u>6,008,628</u>	<u>6,475,257</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5	496,337	709,900
Lease inducements		128,897	105,204
Lease inducements related to capital assets		165,722	192,595
Deferred contributions	6	618,106	647,296
		<u>1,409,062</u>	<u>1,654,995</u>
Net Assets			
Invested in capital assets		636,371	576,597
Internally restricted	7	2,804,450	2,745,000
Unrestricted		1,158,745	1,498,665
		<u>4,599,566</u>	<u>4,820,262</u>
		<u>6,008,628</u>	<u>6,475,257</u>
Commitments	12		

Approved by the Board of Directors

 Director

(PASCAL PROULX)

Marc Jutras

 Director

(MARC JUTRAS)

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

Leucan Inc.

Statement of Changes in Net Assets

For the year ended March 31, 2020

		<u>Internally restricted</u>			<u>2020</u>	<u>2019</u>	
	Note	Invested in capital assets \$	Quebec pediatric oncology centres \$	Sustain- ability fund \$	Un- restricted \$	Total \$	Total \$
Balance – Beginning of year		576,597	745,000	2,000,000	1,498,665	4,820,262	4,735,361
Excess of revenues over expenses (expenses over revenues) for the year		(79,811)	59,450	-	(200,335)	(220,696)	84,901
Purchase of capital assets		139,585	-	-	(139,585)	-	-
Balance – End of year	7	<u>636,371</u>	<u>804,450</u>	<u>2,000,000</u>	<u>1,158,745</u>	<u>4,599,566</u>	<u>4,820,262</u>

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

Leucan Inc.

Statement of Operations

For the year ended March 31, 2020

	Note	2020 \$	2019 \$
Revenues			
Financing activities		10,746,542	10,695,115
Donated supplies and services		157,498	194,621
Donations and bequests		304,719	386,750
Investment revenue		40,747	138,307
Other revenue	8	134,201	58,103
		<u>11,383,707</u>	<u>11,472,896</u>
Expenses			
Financing activities		2,231,596	2,327,902
Salaries and employee benefits related to financing activities		2,273,945	2,027,043
Donated supplies and services related to financing activities		157,498	179,021
		<u>4,663,039</u>	<u>4,533,966</u>
Gross excess of revenues over expenses		<u>6,720,668</u>	<u>6,938,930</u>
Other expenses			
Services to children and their families	9	4,024,207	3,940,552
Grants for clinical research		1,008,443	948,786
Rent and other expenses related to promotion and development		485,356	535,968
Administrative fees	10	983,184	1,012,979
Communications		360,363	346,429
		<u>6,861,553</u>	<u>6,784,714</u>
Excess of revenues over expenses (expenses over revenues) before the following items		(140,885)	154,216
Amortization of lease inducements related to capital assets		26,873	26,873
Depreciation of capital assets		<u>(106,684)</u>	<u>(96,188)</u>
Excess of revenues over expenses (expenses over revenues) for the year		<u>(220,696)</u>	<u>84,901</u>

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

Leucan Inc.

Statement of Cash Flows

For the year ended March 31, 2020

	2020 \$	2019 \$
Cash flows from		
Operating activities		
Excess of revenues over expenses (expenses over revenues) for the year	(220,696)	84,901
Items not affecting cash		
Change in repurchase value of life insurance policies	(13,949)	(14,633)
Change in fair value of investments other than life insurance policies	(70,268)	(114,933)
Depreciation of capital assets	106,684	96,188
Amortization of lease inducements	(21,483)	(15,029)
Increase in lease inducements	45,176	30,117
Amortization of lease inducements related to capital assets	(26,873)	(26,873)
	<u>(201,409)</u>	<u>39,738</u>
Changes in non-cash working capital items		
Accounts receivable	255,939	(280,112)
Prepaid expenses and supplies	(5,538)	(41,730)
Accounts payable and accrued liabilities	(213,563)	179,058
	<u>36,838</u>	<u>(142,784)</u>
	<u>(164,571)</u>	<u>(103,046)</u>
Investing activities		
Purchase of capital assets	(139,585)	(147,494)
Net change in investments	49,674	(600,000)
	<u>(89,911)</u>	<u>(747,494)</u>
Financing activities		
Net change in deferred contributions	(29,190)	348,300
	<u>(283,672)</u>	<u>(502,240)</u>
Net decrease in cash during the year	(283,672)	(502,240)
Cash – Beginning of year	1,754,354	2,256,594
Cash – End of year	1,470,682	1,754,354

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

Leucan Inc.

Notes to Financial Statements

March 31, 2020

1 Statutes and nature of activities

Leucan Inc. (the Organization), incorporated under Part III of the Quebec Companies Act, is a not-for-profit organization whose mission is to promote the well-being, healing and recovery of children living with cancer and to support their families. The Organization is a registered charity under the Income Tax Act (Canada).

2 Significant accounting policies

Basis of presentation

The Organization applies Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO) as set out in Part III of the CPA Canada Handbook – Accounting.

Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are reviewed periodically, and, if adjustments are necessary, they are reported to excess of revenues over expenses when they are determined.

Supplies

Supplies are recorded at the lower of cost and replacement value. The cost of supplies is determined using the first-in, first-out method. The cost of supplies expensed for the year ended March 31, 2020 is \$129,319 (2019 – \$146,202).

When circumstances arise that result in the impairment of supplies below their cost and those circumstances no longer exist, the amount of the impairment may be reversed.

Capital assets

Capital assets are initially recognized at cost and are depreciated over their estimated useful lives using the following methods, periods and annual rates:

	Method	Period/Rate
Building	Straight-line	40 years
Office furniture	Declining balance	20%
Computer equipment	Declining balance	30%
Leasehold improvements	Straight-line	Term of lease

Leucan Inc.

Notes to Financial Statements

March 31, 2020

Impairment of long-lived assets

Long-lived assets are subject to an impairment test when events or changes in circumstances indicate that their carrying amount may not be recoverable. Impairment is measured by comparing the carrying value of the assets to the estimated value of cash flows generated by their use. When the assets do not pass the impairment test, they are written down to their fair value. Fair value is determined principally by using estimates of the discounted future cash flows that will be generated by the use and eventual disposal of the assets.

Lease inducements

Lease inducements 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 liabilities under the heading "lease inducements".

Lease inducements related to capital assets for the Organization's head office are deferred and recognized as revenue over the term of the lease, which is on the same basis as the related capital assets.

Revenue recognition

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

Donated supplies and services

The Organization recognizes donated supplies and services when the fair value of these donations can be reasonably estimated and the Organization would have otherwise procured these supplies and services for its normal operation.

Furthermore, many volunteers annually provide the Organization with a large portion of their time to make sure that the Organization can provide its services. Due to the difficulty in determining the fair value of these contributions received as services, they are not recognized in these financial statements.

Allocation of 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:

- Financing activities
- Services to children and their families
- Administrative fees
- Communications

Leucan Inc.

Notes to Financial Statements

March 31, 2020

Financial instruments

Measurement of financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions. The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for cash, cash with broker and investments in equity instruments quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost consist of accounts receivable, and financial assets measured at fair value consist of cash, cash with broker and investments.

Financial liabilities measured at amortized cost consist of accounts payable and accrued liabilities.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the writedown is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

3 Investments

	2020 \$	2019 \$
Cash with broker	219,578	5,233
Bonds, at fair value, bearing interest at rates varying between 1.50% and 4.00% (2019 – rates varying between 1.00% and 4.40%), nominal value of \$2,393,380 (2019 – \$2,535,739), maturing up to December 2024	2,452,243	2,583,772
Canadian and foreign shares, at fair value	484,216	548,730
Canadian and foreign mutual funds, at fair value	117,354	115,062
Repurchase value of life insurance policies	129,202	115,253
	<hr/>	<hr/>
	3,402,593	3,368,050
Less: Current portion	704,321	881,517
	<hr/>	<hr/>
	2,698,272	2,486,533

Leucan Inc.

Notes to Financial Statements

March 31, 2020

4 Capital assets

			2020	2019
	Cost	Accumulated depreciation	Net	Net
	\$	\$	\$	\$
Land	63,000	-	63,000	63,000
Building*	446,852	185,792	261,060	269,481
Office furniture	423,812	328,164	95,648	94,531
Computer equipment	868,834	686,133	182,701	126,934
Leasehold improvements	345,964	146,280	199,684	215,246
	<u>2,148,462</u>	<u>1,346,369</u>	<u>802,093</u>	<u>769,192</u>

* The amount of accumulated depreciation includes impairment of \$110,000 recording during the year ended March 31, 2017.

5 Accounts payable and accrued liabilities

	2020	2019
	\$	\$
Accounts payable and accrued liabilities	34,552	299,965
Salaries and vacation payable	461,785	409,935
	<u>496,337</u>	<u>709,900</u>

6 Deferred contributions

	2020	2019
	\$	\$
Balance – Beginning of year	647,296	298,996
Revenue		
Amount recognized in the statement of operations	(335,500)	(20,500)
Amount received relating to coming years	306,310	368,800
Balance – End of year	<u>618,106</u>	<u>647,296</u>

Leucan Inc.

Notes to Financial Statements

March 31, 2020

An amount of \$485,196 of deferred contributions as at March 31, 2020 (2019 – \$616,796) is allocated to the “40 Giants for Leucan” fundraising campaign. This fundraising campaign, which will end as at March 31, 2023, generated cash inflows of \$173,400 during the year ended March 31, 2020 (2019 – \$338,300). Total investments in clinical research and survivor support have generated an expense of \$305,000 this year and will continue over a three-year period.

In addition, an amount of \$132,910 is for sponsorship and to purchase tickets for events that will take place in the next fiscal year (2019 – \$30,500).

7 Internally restricted net assets

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

	2020 \$	2019 \$
Support fund for Quebec pediatric oncology centres ^(a)	804,450	745,000
Sustainability fund ^(b)	2,000,000	2,000,000
	<hr/> 2,804,450	<hr/> 2,745,000

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

b) 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 Other revenue

	2020 \$	2019 \$
Rent	27,152	25,932
Contributions to activities	11,521	5,720
Government programs	82,073	16,437
Membership fees	4,080	3,205
Other	9,375	6,809
	<hr/> 134,201	<hr/> 58,103

Leucan Inc.

Notes to Financial Statements

March 31, 2020

9 Services to children and their families

	2020 \$	2019 \$
Salaries and employee benefits	1,530,279	1,394,372
Financial assistance	939,644	1,061,339
Summer camp and Christmas party	223,023	231,208
Socio-recreational and socio-affective activities	423,735	302,449
Massotherapy	341,150	361,555
Rent and other office expenses	294,843	319,503
Donations of supplies and services and playrooms	31,292	23,574
Sensitization and promoting awareness	240,241	230,952
Donated supplies and services	-	15,600
	<u>4,024,207</u>	<u>3,940,552</u>

10 Administrative fees

	2020 \$	2019 \$
Salaries and employee benefits	792,109	798,147
Rent and other office expenses	152,618	182,885
Committee fees	13,493	15,049
Other expenses	24,964	16,898
	<u>983,184</u>	<u>1,012,979</u>

11 Allocation of expenses

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

	2020 \$	2019 \$
Financing activities	557,251	573,457
Services to children and their families	437,869	450,605
Administrative fees	194,114	225,798
Communications	41,907	37,422
	<u>1,231,141</u>	<u>1,287,282</u>

Leucan Inc.

Notes to Financial Statements

March 31, 2020

12 Commitments

The Organization has committed, under head office and regional leases and service contracts maturing on various dates until May 2026, to make the following payments over the next five years and thereafter:

	\$
2021	487,829
2022	480,957
2023	385,046
2024	290,039
2025	277,845
Thereafter	<u>294,690</u>
	<u>2,216,406</u>

13 Financial instruments

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure as at March 31, 2020. There have been no changes in risks since last year.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities. Prudent liquidity risk management implies maintaining a sufficient level of liquidity, access to appropriate credit facilities and the ability to liquidate positions on the market. The Organization believes that its recurring financial resources allow it to meet all its expenses. The Organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that may expose the Organization to credit risk are primarily cash, accounts receivable and investments. The Organization's cash and investments are held with large financial institutions, so the Organization considers the risk of non-performance of these instruments to be very low.

As at March 31, 2020, the Organization's exposure to credit risk is equal to the amount of its accounts receivable of \$76,417 (2019 – \$332,356). The Organization assesses, on an ongoing basis, the probable losses of its accounts receivable and establishes a provision for losses based on their estimated realizable value.

Leucan Inc.

Notes to Financial Statements

March 31, 2020

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: currency risk, interest rate risk and other price risk. The Organization is exposed mainly to interest rate risk and other price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Organization is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed rate instruments subject the Organization to fair value risk, while floating rate instruments subject it to cash flow risk.

As at March 31, 2020, the Organization is exposed to interest rate risk as follows:

Cash	Floating rate and fixed rates of 1.00% and 1.35%
Investments	Non-interest bearing and fixed rates, see note 3
Accounts receivable	Non-interest bearing
Accounts payable and accrued liabilities	Non-interest bearing

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 currency risk, whether these variations are caused by factors specific to the particular instrument or its issuer or by factors affecting all similar financial instruments traded on the market. The Organization is exposed to other price risk due to its investments.

14 COVID-19

In March 2020, the World Health Organization classified the COVID-19 coronavirus infection as pandemic, which led to emergency measures to control the spread of the virus, including voluntary isolation and social distancing. The Organization has consequently adapted to the situation by continuing the majority of its activities remotely and by postponing certain financing activities to a later period. Some of the financing activities planned for March 2020 and all those planned for spring 2020 have been cancelled, postponed or transformed.

Given the constantly changing situation and the resulting economic uncertainty, the financial impact of this pandemic is too uncertain to be estimated at present. The Organization's management and Board of Directors will follow developments of the situation and its cash management very closely throughout the next year to ensure the sustainability of the Organization. The impacts will be recorded when they are known and can be assessed.

Leucan Inc.

Notes to Financial Statements

March 31, 2020

In light of these developments, the Organization has implemented certain measures with the aim of reducing its expenses. In terms of salary expenses, the Organization has reduced the hours of the majority of its employees, temporarily laying off other employees and has frozen wages. In addition, at the cash flow level, the Organization has implemented tighter management, carried out an analysis of the compensation and subsidy programs offered by the different levels of government, and made representations to the Quebec Ministère de la Santé et Services sociaux to request exceptional emergency assistance. In addition, part of its service offering had to be suspended, and another part that is offered virtually or remotely also had an impact on expenses. Finally, the Organization has innovated through new philanthropic initiatives and now offers some of its financing activities under a new formula, to limit loss of revenue.