

Leucan Inc.

**Financial Statements
March 31, 2019**



Independent auditor's report

To the Members of
Leucan Inc.

Our qualified opinion

In our opinion, except for the possible effects on the comparative information 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, 2019 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, 2019;
- 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 the 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 received, excess of revenues over expenses and cash flows from operating activities for the year ended March 31, 2019, current assets and net assets as at March 31, 2019. 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 ASNPO. 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.

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205 5000, F: +1 514 876 1502



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 ASNPO, 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.
- 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 17, 2019

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

Leucan Inc.
Balance Sheet
As at March 31, 2019

	Note	2019 \$	2018 \$
Assets			
Current assets			
Cash		1,754,354	2,256,594
Investments	3	881,517	572,066
Accounts receivable		332,356	52,244
Prepaid expenses and supplies		251,305	209,575
		<u>3,219,532</u>	<u>3,090,479</u>
Investments	3	2,486,533	2,066,418
Capital assets	4	769,192	717,886
		<u>6,475,257</u>	<u>5,874,783</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5	709,900	530,842
Lease inducements		105,204	90,116
Lease inducements related to capital assets		192,595	219,468
Deferred contributions	6	647,296	298,996
		<u>1,654,995</u>	<u>1,139,422</u>
Net Assets			
Invested in capital assets		576,597	498,418
Internally restricted	7	2,745,000	2,745,000
Unrestricted		1,498,665	1,491,943
		<u>4,820,262</u>	<u>4,735,361</u>
		<u>6,475,257</u>	<u>5,874,783</u>
Commitments and contingencies	12		

Approved by the Board of Directors



Director

PASCAL PROULX

(in BLOCK letters)



Director

MARC JUTRAS

(in BLOCK letters)

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, 2019

		<u>2019</u>			<u>2018</u>		
		<u>Internally restricted</u>					
	Note	Invested in capital assets \$	Quebec pediatric oncology centres \$	Sustain- ability fund \$	Un- restricted \$	Total \$	Total \$
Balance – Beginning of year		498,418	745,000	2,000,000	1,491,943	4,735,361	4,200,014
Excess of revenues over expenses (expenses over revenues) for the year		(69,315)	-	-	154,216	84,901	535,347
Purchase of capital assets		147,494	-	-	(147,494)	-	-
Balance – End of year	7	576,597	745,000	2,000,000	1,498,665	4,820,262	4,735,361

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

Leucan Inc.

Statement of Operations

For the year ended March 31, 2019

	Note	2019 \$	2018 \$
Revenues			
Financing activities		10,695,115	10,353,414
Donated supplies and services		194,621	222,275
Donations and bequests		386,750	513,814
Investment revenue (expense)		138,307	(2,857)
Other revenue	8	58,103	78,104
		<u>11,472,896</u>	<u>11,164,750</u>
Expenses			
Financing activities		2,327,902	2,235,096
Salaries and employee benefits related to financing activities		2,027,043	1,922,148
Donated supplies and services related to financing activities		179,021	188,145
		<u>4,533,966</u>	<u>4,345,389</u>
Gross excess of revenues over expenses		<u>6,938,930</u>	<u>6,819,361</u>
Other expenses			
Services to children and their families	9	3,940,552	3,626,517
Grants for clinical research		948,786	853,103
Rent and other expenses related to promotion and development		535,968	461,253
Administrative fees	10	1,012,979	918,463
Communications		346,429	344,931
		<u>6,784,714</u>	<u>6,204,267</u>
Excess of revenues over expenses before the following items		154,216	615,094
Amortization of lease inducements related to capital assets		26,873	26,874
Depreciation of capital assets		(96,188)	(106,621)
Excess of revenues over expenses for the year		<u>84,901</u>	<u>535,347</u>

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

Leucan Inc.

Statement of Cash Flows

For the year ended March 31, 2019

	2019 \$	2018 \$
Cash flows from		
Operating activities		
Excess of revenues over expenses for the year	84,901	535,347
Items not affecting cash		
Change in repurchase value of life insurance policies	(14,633)	26
Change in fair value of investments other than life insurance policies	(114,933)	9,730
Depreciation of capital assets	96,188	106,621
Amortization of lease inducements	(15,029)	(11,264)
Increase in lease inducements	30,117	30,143
Amortization of lease inducements related to capital assets	(26,873)	(26,874)
	<u>39,738</u>	<u>643,729</u>
Changes in non-cash working capital items		
Accounts receivable	(280,112)	7,559
Prepaid expenses and supplies	(41,730)	8,178
Accounts payable and accrued liabilities	179,058	8,867
	<u>(142,784)</u>	<u>24,604</u>
	<u>(103,046)</u>	<u>668,333</u>
Investing activities		
Purchase of capital assets	(147,494)	(48,330)
Change in investments – net	(600,000)	184,805
	<u>(747,494)</u>	<u>136,475</u>
Financing activities		
Net increase in deferred contributions	348,300	298,996
Net increase (decrease) in cash during the year	<u>(502,240)</u>	<u>1,103,804</u>
Cash – Beginning of year	<u>2,256,594</u>	<u>1,152,790</u>
Cash – End of year	<u>1,754,354</u>	<u>2,256,594</u>

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

Leucan Inc.

Notes to Financial Statements

March 31, 2019

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, 2019 is \$146,202 (2018 – \$83,155).

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, 2019

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, 2019

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

	2019	2018
	\$	\$
Cash with broker	5,233	7,244
Bonds, at fair value, bearing interest at rates varying between 1.00% and 4.40% (2018 – rates varying between 1.05% and 4.40%), nominal value of \$2,535,739 (2018 – \$1,662,608), maturing up to March 2024	2,583,772	1,775,231
Canadian and foreign shares	548,730	-
Canadian money market mutual funds, at fair value	-	747,083
Canadian and foreign mutual funds, at fair value	115,062	8,306
Repurchase value of life insurance policies	115,253	100,620
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	3,368,050	2,638,484
Less: Current portion	881,517	572,066
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	2,486,533	2,066,418

Leucan Inc.

Notes to Financial Statements

March 31, 2019

4 Capital assets

			2019	2018
	Cost	Accumulated depreciation	Net	Net
	\$	\$	\$	\$
Land	63,000	-	63,000	63,000
Building*	446,852	177,371	269,481	277,902
Office furniture	401,564	307,033	94,531	28,615
Computer equipment	767,082	640,148	126,934	103,088
Leasehold improvements	330,378	115,132	215,246	245,281
	<u>2,008,876</u>	<u>1,239,684</u>	<u>769,192</u>	<u>717,886</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

	2019	2018
	\$	\$
Accounts payable and accrued liabilities	299,965	177,996
Salaries and vacation payable	409,935	352,846
	<u>709,900</u>	<u>530,842</u>

6 Deferred contributions

	2019	2018
	\$	\$
Balance – Beginning of year	298,996	-
Revenue		
Amount recognized in the statement of operations	(20,500)	-
Amount received relating to coming years	368,800	298,996
Balance – End of year	<u>647,296</u>	<u>298,996</u>

Leucan Inc.

Notes to Financial Statements

March 31, 2019

An amount of \$616,796 of deferred contributions as at March 31, 2019 (2018 – \$278,496) is allocated to the “40 Giants for Leucan” fundraising campaign. This fundraising campaign will end in the next fiscal year. Total investments in clinical research and survivor support will begin during the year ending March 31, 2020 and will be spread over a three-year period.

In addition, an amount of \$30,500 is for a sponsorship for events that will take place in the next fiscal year (2018 – \$20,500).

7 Internally restricted net assets

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

	2019 \$	2018 \$
Support fund for Quebec pediatric oncology centres ⁽¹⁾	745,000	745,000
Sustainability fund ⁽²⁾	2,000,000	2,000,000
	<u>2,745,000</u>	<u>2,745,000</u>

¹⁾ This amount is held in reserve to stabilize the financial support that the Organization will provide to Quebec pediatric oncology centres.

²⁾ 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

	2019 \$	2018 \$
Rent	25,932	21,174
Contributions to activities	5,720	8,365
Government programs	16,437	18,371
Membership fees	3,205	14,404
Other	6,809	15,790
	<u>58,103</u>	<u>78,104</u>

Leucan Inc.

Notes to Financial Statements

March 31, 2019

9 Services to children and their families

	2019 \$	2018 \$
Salaries and employee benefits	1,394,372	1,373,297
Financial assistance	1,061,339	739,316
Summer camp and Christmas party	231,208	240,196
Socio-recreational and socio-affective activities	302,449	349,602
Massotherapy	361,555	322,416
Rent and other office expenses	319,503	307,322
Donations of supplies and services and playrooms	23,574	30,283
Sensitization and promoting awareness	230,952	229,955
Donated supplies and services	15,600	34,130
	<hr/>	<hr/>
	3,940,552	3,626,517

10 Administrative fees

	2019 \$	2018 \$
Salaries and employee benefits	798,147	735,448
Rent and other office expenses	182,885	164,582
Committee fees	15,049	7,211
Other expenses	16,898	11,222
	<hr/>	<hr/>
	1,012,979	918,463

11 Allocation of expenses

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

	2019 \$	2018 \$
Financing activities	573,457	528,592
Services to children and their families	450,605	430,083
Administrative fees	225,798	202,249
Communications	37,422	34,951
	<hr/>	<hr/>
	1,287,282	1,195,875

Leucan Inc.

Notes to Financial Statements

March 31, 2019

12 Commitments and contingencies

- a) 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 in future years:

	\$
2020	408,460
2021	454,880
2022	438,446
2023	368,526
2024	284,525
2025 and thereafter	560,512
	<u>2,515,349</u>

- b) As at July 30, 2018, the Organization issued a commercial letter of guarantee in the amount of \$7,750, in connection with a draw in Abitibi-Témiscamingue and which expires in January 2020.

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, 2019. 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, 2019, the Organization's exposure to credit risk is equal to the amount of its accounts receivable of \$332,356 (2018 – \$52,244). 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, 2019

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, 2019, 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 rate, 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.