

Leucan Inc.

**Financial Statements
March 31, 2018**



June 20, 2018

Independent Auditor's Report

**To the Members of
Leucan Inc.**

We have audited the accompanying financial statements of Leucan Inc., which comprise the balance sheet as at March 31, 2018 and the statements of changes in net assets, operations and cash flows for the year then ended, and the related notes, which comprise 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.

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

Basis for qualified opinion

In common with many not-for-profit organizations, Leucan Inc. derives revenues from donations and financing activities, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Leucan Inc. Therefore, we were not able to determine whether any adjustments might be necessary to revenues received, excess of revenues over expenses for the year and cash flows from operating activities for the year ended March 31, 2018, current assets as at March 31, 2018 and net assets as at March 31, 2018. Our audit opinion on the financial statements for the year ended March 31, 2018 was modified accordingly because of the effects of this limitation in scope.

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, 2018 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.

Observation

The financial statements as at March 31, 2017 and for the year then ended were audited by another auditor who expressed a qualified opinion on those financial statements in their report dated June 22, 2017.


PricewaterhouseCoopers LLP¹


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

Leucan Inc.
Balance Sheet
As at March 31, 2018

	Note	2018 \$	2017 \$
Assets			
Current assets			
Cash		2,256,594	1,152,790
Investments	3	572,066	1,398,934
Accounts receivable		52,244	59,803
Prepaid expenses and supplies		209,575	217,753
		<u>3,090,479</u>	<u>2,829,280</u>
Investments	3	2,066,418	1,434,111
Capital assets	4	<u>717,886</u>	<u>776,177</u>
		<u>5,874,783</u>	<u>5,039,568</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5	530,842	521,975
Lease inducements		90,116	71,237
Lease inducements related to capital assets		219,468	246,342
Deferred contributions	6	<u>298,996</u>	<u>-</u>
		<u>1,139,422</u>	<u>839,554</u>
Net Assets			
Invested in capital assets		498,418	529,835
Internally restricted	7	2,745,000	2,745,000
Unrestricted		<u>1,491,943</u>	<u>925,179</u>
		<u>4,735,361</u>	<u>4,200,014</u>
		<u>5,874,783</u>	<u>5,039,568</u>
Commitments and contingencies	12		

Approved by the Board of Directors


 _____ Director
 PASCAL PROULX
 (in BLOCK letters)


 _____ Director
 MARK JURVAT
 (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, 2018

		<u>Internally restricted</u>			<u>2018</u>	<u>2017</u>	
	Note	Invested in capital assets \$	Quebec pediatric oncology centres \$	Sustain- ability fund \$	Un- restricted \$	Total \$	Total \$
Balance – Beginning of year		529,835	745,000	2,000,000	925,179	4,200,014	3,554,434
Excess of revenues over expenses (expenses over revenues) for the year*		(79,747)	-	-	615,094	535,347	645,580
Purchase of capital assets		48,330*	-	-	(48,330)	-	-
Balance – End of year	7	<u>498,418</u>	<u>745,000</u>	<u>2,000,000</u>	<u>1,491,943</u>	<u>4,735,361</u>	<u>4,200,014</u>

- * Consists of depreciation and loss on impairment of capital assets, net of amortization of lease inducements related to capital assets.

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

Leucan Inc.

Statement of Operations

For the year ended March 31, 2018

	Note	2018 \$	2017 \$
Revenues			
Financing activities		10,353,414	10,188,131
Donated supplies and services		222,275	1,398,180
Donations and bequests		513,814	543,036
Investment revenue (expense)		(2,857)	29,613
Other revenue	8	78,104	49,195
		<u>11,164,750</u>	<u>12,208,155</u>
Expenses			
Financing activities		2,235,096	2,126,123
Salaries and employee benefits related to financing activities		1,922,148	1,902,323
Donated supplies and services related to financing activities		188,145	1,398,180
		<u>4,345,389</u>	<u>5,426,626</u>
Gross excess of revenues over expenses		<u>6,819,361</u>	<u>6,781,529</u>
Other expenses			
Services to children and their families	9	3,626,517	3,459,949
Grants for clinical research		853,103	868,282
Rent and other expenses related to promotion and development		461,253	427,069
Administrative fees	10	918,463	919,969
Communications		344,931	269,866
		<u>6,204,267</u>	<u>5,945,135</u>
Excess of revenues over expenses before the following items		615,094	836,394
Amortization of lease inducements related to capital assets		26,874	26,873
Depreciation of capital assets		(106,621)	(107,687)
Loss on impairment of capital assets		-	(110,000)
		<u>535,347</u>	<u>645,580</u>

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

Leucan Inc.**Statement of Cash Flows****For the year ended March 31, 2018**

	2018 \$	2017 \$
Cash flows from		
Operating activities		
Excess of revenues over expenses for the year	535,347	645,580
Items not affecting cash		
Change in repurchase value of life insurance policies	26	(7,133)
Change in fair value of investments other than life insurance policies	9,730	(6,335)
Depreciation of capital assets	106,621	107,687
Loss on impairment of capital assets	-	110,000
Amortization of lease inducements	(11,264)	(7,915)
Increase in lease inducements	30,143	28,742
Amortization of lease inducements related to capital assets	(26,874)	(26,873)
	<u>643,729</u>	<u>843,753</u>
Changes in non-cash working capital items		
Accounts receivable	7,559	322,515
Prepaid expenses and supplies	8,178	190
Accounts payable and accrued liabilities	8,867	101,183
	<u>24,604</u>	<u>423,888</u>
	<u>668,333</u>	<u>1,267,641</u>
Investing activities		
Purchase of capital assets	(48,330)	(23,069)
Change in investments – net	184,805	(566,143)
	<u>136,475</u>	<u>(589,212)</u>
Financing activities		
Increase in deferred contributions	298,996	-
	<u>298,996</u>	<u>-</u>
Net increase in cash during the year	1,103,804	678,429
Cash – Beginning of year	1,152,790	474,361
Cash – End of year	<u>2,256,594</u>	<u>1,152,790</u>

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

Leucan Inc.

Notes to Financial Statements

March 31, 2018

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, 2018 is \$29,439 (2017 – \$30,802).

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, 2018

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, 2018

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

	2018 \$	2017 \$
Cash with broker	7,244	94,652
Canadian money market mutual funds, at fair value	747,083	732,089
Canadian and foreign mutual funds, at fair value	8,306	-
Bonds, at fair value, bearing interest rates varying between 1.05% and 4.40% (2017 – rates varying between 1.60% and 4.60%), nominal value of \$1,662,608 (2017 – \$1,829,812), maturing up to December 2022	1,775,231	1,906,591
Repurchase value of life insurance policies	100,620	99,713
	<hr/> 2,638,484	<hr/> 2,833,045
Less: Current portion	572,066	1,398,934
	<hr/> 2,066,418	<hr/> 1,434,111

Leucan Inc.

Notes to Financial Statements

March 31, 2018

4 Capital assets

			2018	2017
	Cost	Accumulated depreciation	Net	Net
	\$	\$	\$	\$
Land	63,000	-	63,000	63,000
Building*	446,852	168,950	277,902	298,709
Office furniture	321,965	293,350	28,615	35,768
Computer equipment	699,187	596,099	103,088	88,583
Leasehold improvements	421,180	175,899	245,281	290,117
	<u>1,952,184</u>	<u>1,234,298</u>	<u>717,886</u>	<u>776,177</u>

* During the year ended March 31, 2018, the amount of accumulated depreciation includes impairment of nil (2017 – \$110,000).

5 Accounts payable and accrued liabilities

	2018	2017
	\$	\$
Accounts payable and accrued liabilities	177,996	123,927
Salaries and vacation payable	352,846	398,048
	<u>530,842</u>	<u>521,975</u>

6 Deferred contributions

	2018	2017
	\$	\$
Balance – Beginning of year	-	-
Revenue		
Amount received relating to coming years	298,996	-
Balance – End of year	<u>298,996</u>	<u>-</u>

The amount of \$298,996 of deferred contributions as at March 31, 2018 was cashed as part of the 40 Giants for Leucan fundraising campaign that will end in the spring of 2019. Total investments in clinical research and survivor support will begin in fiscal year ending March 31, 2020 and will be spread over a three-year period.

Leucan Inc.

Notes to Financial Statements

March 31, 2018

7 Internally restricted net assets

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

	2018 \$	2017 \$
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

	2018 \$	2017 \$
Rent	21,174	18,801
Contributions to activities	8,365	4,320
Government programs	18,371	13,628
Membership fees	14,404	3,030
Other	15,790	9,416
	<u>78,104</u>	<u>49,195</u>

Leucan Inc.

Notes to Financial Statements

March 31, 2018

9 Services to children and their families

	2018	2017
	\$	\$
Salaries and employee benefits	1,373,297	1,319,207
Financial assistance	739,316	741,288
Summer camp and Christmas party	240,196	240,322
Socio-recreational and socio-affective activities	349,602	290,053
Massotherapy	322,416	386,458
Rent and other office expenses	307,322	277,941
Donations of supplies and services and playrooms	30,283	24,768
Sensitization and promoting awareness	229,955	179,912
Donated supplies and services	34,130	-
	<hr/>	<hr/>
	3,626,517	3,459,949

10 Administrative fees

	2018	2017
	\$	\$
Salaries and employee benefits	735,448	711,893
Rent and other office expenses	164,582	149,988
Professional fees	7,211	40,194
Other expenses	11,222	17,894
	<hr/>	<hr/>
	918,463	919,969

11 Allocation of expenses

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

	2018	2017
	\$	\$
Financing activities	528,592	489,828
Services to children and their families	430,083	350,349
Administrative fees	202,249	178,443
Communications	34,951	73,625
	<hr/>	<hr/>
	1,195,875	1,092,245

Leucan Inc.

Notes to Financial Statements

March 31, 2018

12 Commitment and contingencies

- a) The organization has committed, under head office and regional leases and service contracts, to make the following payments in future years:

	\$
2019	424,332
2020	386,492
2021	400,450
2022	379,759
2023	309,838
2024 and thereafter	<u>762,976</u>
	<u>2,663,847</u>

- b) On December 1, 2017, the organization issued a commercial letter of guarantee in the amount of \$115,000 related to the draw of Chalet Leucan and which expires on July 2019.

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, 2018. 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, 2018, the organization's exposure to credit risk is equal to the amount of its accounts receivable of \$52,244 (2017 - \$59,803). 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.

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, 2018, the organization is exposed to interest rate risk as follows:

Cash	Floating rate and fixed rates of 0.90% and 0.95%
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.

14 Comparative figures

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