

Leucan Inc.

Financial Statements
March 31, 2022



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, 2022 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.

What we have audited

The Organization's financial statements comprise:

- the balance sheet as at March 31, 2022;
- 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 significant accounting policies and other explanatory information.

Basis for qualified opinion

In common with many not-for-profit organizations, the Organization derives revenues from cash 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 revenues over expenses and cash flows from operating activities for the years ended March 31, 2022 and 2021, current assets as at March 31, 2022 and 2021 and net assets as at the beginning and the end of the years ended March 31, 2022 and 2021. Our audit opinion on the financial statements for the year ended March 31, 2021 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.
- 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
June 17, 2022

¹ CPA auditor, public accountancy permit No. A116819

Leucan Inc.

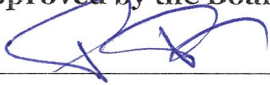
Balance Sheet

As at March 31, 2022

	Note	2022 \$	2021 \$
Assets			
Current assets			
Cash		2,314,963	1,926,464
Investments	3	963,216	1,077,768
Accounts receivable		95,687	185,658
Prepaid expenses and supplies		459,117	381,004
		<u>3,832,983</u>	<u>3,570,894</u>
Investments	3	4,649,014	4,318,099
Capital assets	4	<u>348,767</u>	<u>403,282</u>
		<u>8,830,764</u>	<u>8,292,275</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5	919,651	1,118,333
Lease inducements		85,931	107,414
Lease inducements related to capital assets		111,974	138,847
Deferred contributions	6	<u>886,196</u>	<u>728,196</u>
		<u>2,003,752</u>	<u>2,092,790</u>
Net Assets			
Invested in capital assets		236,793	264,435
Internally restricted	7	4,374,000	3,898,000
Unrestricted		<u>2,216,219</u>	<u>2,037,050</u>
		<u>6,827,012</u>	<u>6,199,485</u>
		<u>8,830,764</u>	<u>8,292,275</u>

Commitments

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Approved by the Board of Directors


Director



Director

(PASCAL PROULX)

(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, 2022**

		2022					2021
		Internally restricted					
	Note	Invested in capital assets \$	Quebec pediatric oncology centres \$	Special projects \$	Sustain- ability fund \$	Un- restricted \$	Total \$
Balance – Beginning of year		264,435	921,500	976,500	2,000,000	2,037,050	6,199,485
Excess of revenues over expenses (expenses over revenues) for the year		(73,775)	125,000	351,000	-	225,302	627,527
Purchase of capital assets		46,133	-	-	-	(46,133)	-
Balance – End of year	7	236,793	1,046,500	1,327,500	2,000,000	2,216,219	6,827,012

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

Leucan Inc.**Statement of Operations****For the year ended March 31, 2022**

	Note	2022 \$	2021 \$
Revenues			
Financing activities		10,052,934	8,468,916
Donated supplies and services		211,760	181,041
Donations and bequests		82,941	301,995
Investment revenue		160,937	287,877
Other revenue	8	443,468	1,335,984
		<u>10,952,040</u>	<u>10,575,813</u>
Expenses			
Financing activities		1,442,462	1,195,721
Salaries and employee benefits related to financing activities		2,144,748	1,749,939
Donated supplies and services related to financing activities		184,756	171,365
		<u>3,771,966</u>	<u>3,117,025</u>
Gross excess of revenues over expenses		<u>7,180,074</u>	<u>7,458,788</u>
Other expenses			
Services to children and their families	10	3,638,850	3,139,847
Grants for clinical research		1,113,338	1,090,443
Rent and other expenses related to promotion and development		449,977	371,893
Administrative fees	11	857,450	766,401
Communications		419,157	391,302
		<u>6,478,772</u>	<u>5,759,886</u>
Excess of revenues over expenses before the following items		<u>701,302</u>	<u>1,698,902</u>
Amortization of lease inducements related to capital assets		26,873	26,875
Depreciation of capital assets		(100,648)	(115,260)
Loss on disposal of capital assets		-	(10,598)
Excess of revenues over expenses for the year		<u>627,527</u>	<u>1,599,919</u>

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

Leucan Inc.**Statement of Cash Flows****For the year ended March 31, 2022**

	2022 \$	2021 \$
Cash flows from		
Operating activities		
Excess of revenues over expenses for the year	627,527	1,599,919
Items not affecting cash		
Change in repurchase value of life insurance policies	(11,190)	(2,846)
Change in fair value of investments other than life insurance policies	(64,780)	(230,560)
Depreciation of capital assets	100,648	115,260
Loss on disposal of capital assets	-	10,598
Amortization of lease inducements	(21,483)	(21,483)
Amortization of lease inducements related to capital assets	(26,873)	(26,875)
	<u>603,849</u>	<u>1,444,013</u>
Changes in non-cash working capital items		
Accounts receivable	89,971	(109,241)
Prepaid expenses and supplies	(78,113)	(124,161)
Accounts payable and accrued liabilities	(198,682)	621,996
	<u>(186,824)</u>	<u>388,594</u>
	<u>417,025</u>	<u>1,832,607</u>
Investing activities		
Purchase of capital assets	(46,133)	(36,999)
Proceeds on disposal of capital assets	-	309,952
Net change in investments	<u>(140,393)</u>	<u>(1,759,868)</u>
	<u>(186,526)</u>	<u>(1,486,915)</u>
Financing activities		
Net change in deferred contributions	<u>158,000</u>	<u>110,090</u>
Net increase in cash during the year	<u>388,499</u>	<u>455,782</u>
Cash – Beginning of year	<u>1,926,464</u>	<u>1,470,682</u>
Cash – End of year	<u>2,314,963</u>	<u>1,926,464</u>

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

Leucan Inc.

Notes to Financial Statements

March 31, 2022

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 in 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, 2022 is \$29,297 (2021 – \$41,761).

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
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, 2022

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.

Government grants

Government grants are recognized when there is reasonable assurance that the amounts will be received and that the Organization will meet all relevant conditions.

On March 27, 2020, the Canadian government announced a Canada Emergency Wage Subsidy (CEWS), in effect from March 15 to August 29, 2020 and extended thereafter, allowing Canadian businesses economically affected by the coronavirus pandemic to keep workers employed. Certain eligibility criteria must be met in order to be eligible for the CEWS. The Organization recognized an amount of \$209,243 in government programs revenue for the year ended March 31, 2022 in relation to this grant (2021 – \$1,133,758) (notes 8 and 9).

Leucan Inc.

Notes to Financial Statements

March 31, 2022

On October 9, 2020, the Canadian government proposed the Canada Emergency Rent Subsidy (CERS) to provide direct support to businesses, non-profits and charities that are economically affected by the coronavirus pandemic. The CERS is a subsidy offered to cover part of the commercial rent or the real estate expenses retroactively for the period from September 27, 2020 to June 2021. The Organization recognized an amount of \$33,767 in government programs revenue for the year ended March 31, 2022 with respect to this grant (2021 – \$30,218) (notes 8 and 9).

As an employer in Canada that continues to be impacted by the coronavirus pandemic, the Organization has also recognized an amount of \$76,074 related to the Canada's Recovery Hiring Program (CRHP) in government programs revenue for the year ended March 31, 2022 with respect to this grant (2021 – nil) (notes 8 and 9).

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

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

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

Leucan Inc.

Notes to Financial Statements

March 31, 2022

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

	2022 \$	2021 \$
Cash with broker	1,707	1,359
Bonds, at fair value, bearing interest at rates varying between 0.65% and 2.90% as at March 31, 2022 (2021 – rates varying between 0.65% and 4.00%), nominal value of \$3,291,540 (2021 – \$3,819,753), maturing up to November 2029	3,713,795	3,672,508
Canadian and foreign shares, at fair value	1,418,386	1,208,930
Money market funds	217,148	208,753
Canadian and foreign mutual funds, at fair value	117,956	172,269
Repurchase value of life insurance policies	143,238	132,048
	5,612,230	5,395,867
Less: Current portion	963,216	1,077,768
	4,649,014	4,318,099

4 Capital assets

	2022		2021	
	Cost \$	Accumulated depreciation \$	Net \$	Net \$
Office furniture	442,632	364,479	78,153	76,518
Computer equipment	927,800	797,590	130,210	159,340
Leasehold improvements	351,310	210,906	140,404	167,424
	1,721,742	1,372,975	348,767	403,282

Leucan Inc.

Notes to Financial Statements

March 31, 2022

5 Accounts payable and accrued liabilities

	2022 \$	2021 \$
Accounts payable and accrued liabilities	433,610	691,378
Salaries and vacation payable	486,041	426,955
	<u>919,651</u>	<u>1,118,333</u>

6 Deferred contributions

	2022 \$	2021 \$
Balance – Beginning of year	728,196	618,106
Revenue		
Amount recognized in the statement of operations	(226,000)	(132,910)
Amount received relating to coming years	384,000	243,000
Balance – End of year	<u>886,196</u>	<u>728,196</u>

An amount of \$836,196 of deferred contributions as at March 31, 2022 (2021 – \$728,196) is allocated to the “40 Giants for Leucan” fundraising campaign. This fundraising campaign, which will end on March 31, 2023, generated cash inflows of \$334,000 during the year ended March 31, 2022 (2021 – \$243,000). Investments in clinical research and survivor support continued during the year ended March 31, 2022 for an amount of \$226,000 (2021 – nil) and will continue over the following years.

In addition, an amount of \$50,000 has been received in connection with sponsorship and tickets purchases for events that will take place in the next fiscal year (2020 – nil).

Leucan Inc.

Notes to Financial Statements

March 31, 2022

7 Internally restricted net assets

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

	2022 \$	2021 \$
Support fund for Quebec pediatric oncology centres ¹⁾	1,046,500	921,500
Special projects ²⁾	1,327,500	976,500
Sustainability fund ³⁾	2,000,000	2,000,000
	<u>4,374,000</u>	<u>3,898,000</u>

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

²⁾ This amount is held in reserve for special projects in the following years.

³⁾ 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

	Note	2022 \$	2021 \$
Rent		7,460	6,003
Contributions to activities		3,450	-
Government programs	2, 9	429,953	1,298,869
Membership fees		2,340	1,310
Other		265	29,802
		<u>443,468</u>	<u>1,335,984</u>

Leucan Inc.

Notes to Financial Statements

March 31, 2022

9 Government programs

	2022 \$	2021 \$
Government programs – Federal		
Canada Emergency Wage Subsidy (CEWS)	209,243	1,133,758
Canada Emergency Rent Subsidy (CERS)	33,767	30,218
Canada's Recovery Hiring Program (CRHP)	76,074	-
Canada Emergency Commercial Rent Assistance (CECRA)	-	2,500
Government programs – Provincial		
Programme de soutien aux organismes communautaires (PSOC)	105,869	97,539
Programme actions concertées pour le maintien en emploi (PACME)	-	18,745
Ministère de la Santé et des Services sociaux subsidy	-	4,250
Government programs – Municipal	5,000	-
Others	-	11,859
	<u>429,953</u>	<u>1,298,869</u>

10 Services to children and their families

	2022 \$	2021 \$
Salaries and employee benefits	1,377,168	1,174,181
Financial assistance	1,415,075	1,351,458
Summer camp and Christmas party	53,170	11,404
Socio-recreational and socio-affective activities	232,644	52,943
Massotherapy	99,060	12,347
Rent and other office expenses	281,001	245,787
Donations of supplies and services and playrooms	75,944	30,857
Sensitization and promoting awareness	104,788	260,870
	<u>3,638,850</u>	<u>3,139,847</u>

Leucan Inc.

Notes to Financial Statements

March 31, 2022

11 Administrative fees

	2022 \$	2021 \$
Salaries and employee benefits	689,781	613,496
Rent and other office expenses	140,749	128,421
Committee fees	14,389	6,695
Other expenses	12,531	17,789
	<u>857,450</u>	<u>766,401</u>

12 Allocation of expenses

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

	2022 \$	2021 \$
Financing activities	567,075	493,308
Services to children and their families	416,312	412,638
Administrative fees	182,379	172,945
Communications	34,791	54,424
	<u>1,200,557</u>	<u>1,133,315</u>

13 Commitments

The Organization has committed, under head office and regional leases and service contracts maturing on various dates until June 2027, to make the following payments, including the share of common costs, over the next five years and thereafter:

	\$
2023	432,288
2024	327,181
2025	310,833
2026	285,900
2027	83,533
Thereafter	<u>14,907</u>
	<u>1,454,642</u>

Leucan Inc.

Notes to Financial Statements

March 31, 2022

14 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, 2022. 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, 2022, the Organization's exposure to credit risk is equal to the amount of its accounts receivable of \$95,687 (2021 – \$185,658). 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.

Leucan Inc.

Notes to Financial Statements

March 31, 2022

As at March 31, 2022, the Organization is exposed to interest rate risk as follows:

Cash	Floating rate and fixed rate of 0.45%
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.