

Financial Statements of

**THE LEUKEMIA & LYMPHOMA
SOCIETY OF CANADA/
SOCIÉTÉ DE LEUCÉMIE &
LYMPHOME DU CANADA**

Year ended June 30, 2017



KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Leukemia & Lymphoma Society of Canada/
Société de Leucémie & Lymphome du Canada

We have audited the accompanying financial statements of The Leukemia & Lymphoma Society of Canada/Société de Leucémie & Lymphome du Canada, which comprise the statement of financial position as at June 30, 2017, the statements of revenue and expenses, changes in fund balances and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Leukemia & Lymphoma Society of Canada/Société de Leucémie & Lymphome du Canada as at June 30, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

October 17, 2017
Vaughan, Canada

THE LEUKEMIA & LYMPHOMA SOCIETY OF CANADA/ SOCIÉTÉ DE LEUCÉMIE & LYMPHOMES DU CANADA

Statement of Financial Position

June 30, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 5,117,681	\$ 4,152,965
Investments (note 2)	–	2,953,031
Sundry receivables	2,104,931	681,662
Prepaid expenses	146,029	171,380
	<u>7,368,641</u>	<u>7,959,038</u>
Long-term investments (note 2)	5,255,294	–
Capital assets (note 3)	138,944	178,420
	<u>\$ 12,762,879</u>	<u>\$ 8,137,458</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 717,856	\$ 589,475
Grants and fellowships payable	2,600,821	2,876,931
Deferred revenue (note 5)	606,155	419,284
	<u>3,924,832</u>	<u>3,885,690</u>
Fund balances:		
Operating fund:		
Invested in capital assets	138,944	178,420
Unrestricted fund	2,036,302	2,151,522
	<u>2,175,246</u>	<u>2,329,942</u>
Restricted fund (note 6)	6,162,379	1,457,482
Endowment fund (note 7)	500,422	464,344
	<u>8,838,047</u>	<u>4,251,768</u>
Commitments (note 9)		
Guarantees (note 12)		
	<u>\$ 12,762,879</u>	<u>\$ 8,137,458</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

THE LEUKEMIA & LYMPHOMA SOCIETY OF CANADA/ SOCIÉTÉ DE LEUCÉMIE & LYMPHOME DU CANADA

Statement of Revenue and Expenses

Year ended June 30, 2017, with comparative information for 2016

			2017	2016
	Operating fund	Restricted fund	Total	Total
Revenue:				
Contributions	\$ 11,784,926	\$ 5,500,403	\$ 17,285,329	\$ 12,151,042
Less direct event fundraising expenses (note 10)	845,499	–	845,499	787,992
	10,939,427	5,500,403	16,439,830	11,363,050
Bequests	80,517	–	80,517	325,984
Investment and other income (note 8)	45,658	312,222	357,880	75,791
	11,065,602	5,812,625	16,878,227	11,764,825
Expenses (note 11):				
Program services:				
Research	–	4,126,567	4,126,567	3,012,275
Public education	2,067,235	4,235	2,071,470	2,324,056
Patient support	1,180,671	27,685	1,208,356	1,136,676
	3,247,906	4,158,487	7,406,393	6,473,007
Support services:				
General fundraising (note 10)	3,125,948	–	3,125,948	3,281,036
Management and general (note 8)	1,759,607	–	1,759,607	1,711,037
	4,885,555	–	4,885,555	4,992,073
	8,133,461	4,158,487	12,291,948	11,465,080
Excess of revenue over expenses	\$ 2,932,141	\$ 1,654,138	\$ 4,586,279	\$ 299,745

See accompanying notes to financial statements.

THE LEUKEMIA & LYMPHOMA SOCIETY OF CANADA/ SOCIÉTÉ DE LEUCÉMIE & LYMPHOME DU CANADA

Statement of Changes in Fund Balances

Year ended June 30, 2017, with comparative information for 2016

					2017	2016
	Operating fund					
	Invested in capital assets	Unrestricted fund	Restricted fund (note 6)	Endowment fund (note 7)	Total	Total
Fund balances, beginning of year	\$ 178,420	\$ 2,151,522	\$ 1,457,482	\$ 464,344	\$ 4,251,768	\$ 3,952,023
Excess (deficiency) of revenue over expenses	(69,297)	3,001,438	1,654,138	-	4,586,279	299,745
Interfund transfers - restricted	-	(3,035,759)	3,050,759	(15,000)	-	-
Interfund transfers - endowment investment income	-	(51,078)	-	51,078	-	-
Investment in capital assets	29,821	(29,821)	-	-	-	-
Fund balances, end of year	\$ 138,944	\$ 2,036,302	\$ 6,162,379	\$ 500,422	\$ 8,838,047	\$ 4,251,768

See accompanying notes to financial statements.

THE LEUKEMIA & LYMPHOMA SOCIETY OF CANADA/ SOCIÉTÉ DE LEUCÉMIE & LYMPHOME DU CANADA

Statement of Cash Flows

Year ended June 30, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 4,586,279	\$ 299,745
Items not involving cash:		
Amortization	69,297	65,205
Change in unrealized loss on investments	498,362	93,176
Net realized gain on sale of investments	(677,530)	(217)
Change in non-cash operating working capital:		
Sundry receivables	(1,423,269)	(238,056)
Prepaid expenses	25,351	45,841
Other current assets	–	76,971
Accounts payable and accrued liabilities	128,381	(179,975)
Grants and fellowships payable	(276,110)	452,858
Deferred revenue	186,871	(201,943)
	<u>3,117,632</u>	<u>413,605</u>
Investing activities:		
Purchases of investments	(5,388,690)	(150,000)
Proceeds on sale of investments	3,265,595	37,909
Additions to capital assets	(29,821)	(89,283)
	<u>(2,152,916)</u>	<u>(201,374)</u>
Increase in cash	964,716	212,231
Cash, beginning of year	4,152,965	3,940,734
Cash, end of year	<u>\$ 5,117,681</u>	<u>\$ 4,152,965</u>

See accompanying notes to financial statements.

THE LEUKEMIA & LYMPHOMA SOCIETY OF CANADA/ SOCIÉTÉ DE LEUCÉMIE & LYMPHOME DU CANADA

Notes to Financial Statements

Year ended June 30, 2017

The Leukemia & Lymphoma Society of Canada/Société de Leucémie & Lymphome du Canada (the "Organization") is a volunteer-driven organization which mission is to establish, promote and support medical and scientific research towards cures and/or treatment of blood-related cancers; educate the general public and the medical and scientific community about developments in the prevention, diagnosis and treatment of blood-related cancers; and support community service programs and access to such programs for patients suffering from blood-related cancers, including leukemia, lymphoma, Hodgkin's disease and myeloma.

The Organization was previously incorporated without share capital under the Canada Corporations Act and on October 27, 2014, the Organization was continued under the Canada Not-for-profit Corporations Act. The Organization is registered as a charitable organization under the Income Tax Act (Canada) and is, therefore, not subject to income taxes if certain disbursement requirements are met.

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

(a) Fund accounting:

The Organization follows the restricted fund method of accounting for contributions.

The Operating fund accounts for the Organization's program delivery and administrative activities.

The Restricted fund reports only restricted resources that are to be used for special purposes. The purposes are determined by the restrictions imposed by the contributors.

The Endowment fund reports resources contributed for endowment purposes. Investment income earned on resources of the Endowment fund is reported in the Restricted or Operating fund depending on the nature of any restrictions imposed by contributors of funds for endowment.

THE LEUKEMIA & LYMPHOMA SOCIETY OF CANADA/ SOCIÉTÉ DE LEUCÉMIE & LYMPHOME DU CANADA

Notes to Financial Statements (continued)

Year ended June 30, 2017

1. Significant accounting policies (continued):

(b) Revenue recognition:

Unrestricted contributions are recorded as revenue of the Operating fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions received from fundraising events that have not been completed are deferred until completion of the event.

Restricted contributions for research are recognized as revenue of the Restricted fund.

Externally restricted endowment contributions are recognized as revenue of the Endowment fund.

Bequests are recorded as revenue when received or receivable if the underlying wills have been declared valid by the probate court and no other conditions are required to be met.

Restricted and unrestricted investment income is recognized as revenue when earned. Investment income, which is recorded on the accrual basis, includes income from pooled funds, interest and net realized gain on sale of investments.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has elected to carry all financial investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

THE LEUKEMIA & LYMPHOMA SOCIETY OF CANADA/ SOCIÉTÉ DE LEUCÉMIE & LYMPHOME DU CANADA

Notes to Financial Statements (continued)

Year ended June 30, 2017

1. Significant accounting policies (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(d) Capital assets:

Office furniture and equipment are recorded at cost and are amortized on a straight-line basis over their estimated useful lives, ranging from three to ten years. Leasehold improvements are recorded at cost and amortized on a straight-line basis over the term of the lease.

(e) Gifts-in-kind:

The value of donated materials and services contributed to the Organization are not reflected in these financial statements.

Included in contributions on the statement of revenue and expenses is \$19,858 (2016 - \$27,514) in donated shares.

(f) Allocation of expenses:

The Organization classifies expenses on the statement of revenue and expenses by function. Certain officers and employees perform a combination of program and support service functions; as a result, salaries are allocated based on functional activity. Other costs, including printing, postage and professional fees, have been allocated on an appropriate basis between the program and support services benefited.

THE LEUKEMIA & LYMPHOMA SOCIETY OF CANADA/ SOCIÉTÉ DE LEUCÉMIE & LYMPHOME DU CANADA

Notes to Financial Statements (continued)

Year ended June 30, 2017

1. Significant accounting policies (continued):

(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant item subject to estimates and assumptions include the allocation of expenses. Actual results could differ from those estimates.

2. Investments:

During the year, the Organization changed investment managers moving the majority of its investments to a balanced pooled fund that includes fixed income, Canadian and foreign equities. The Organization also moved from a short term to a long term portfolio.

	2017	2016
Money market fund	\$ –	\$ 30,000
Cash	–	2,880
Pooled funds:		
Balanced	5,044,306	–
Fixed income	210,988	1,222,016
U.S. equity	–	743,525
Canadian equity	–	501,228
EAFE equity	–	453,382
	\$ 5,255,294	\$ 2,953,031

3. Capital assets:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Office furniture and equipment	\$ 132,033	\$ 102,044	\$ 29,989	\$ 51,658
Leasehold improvements	292,222	183,267	108,955	126,762
	\$ 424,255	\$ 285,311	\$ 138,944	\$ 178,420

THE LEUKEMIA & LYMPHOMA SOCIETY OF CANADA/ SOCIÉTÉ DE LEUCÉMIE & LYMPHOME DU CANADA

Notes to Financial Statements (continued)

Year ended June 30, 2017

4. Accounts payable and accrued liabilities:

On July 1, 2004, the Organization entered into a business affiliation with The Leukemia & Lymphoma Society, a U.S. Charity (the "Society"). The purpose of the affiliation is to create a single North American presence in support of research into the causes of, and cures for, leukemia, lymphoma, Hodgkin's disease and myeloma.

As part of the affiliation agreement, the Society has undertaken to pay certain trade payable amounts of the Organization for which the Society will be reimbursed. At June 30, 2017, the amount owed to the Society totalled \$223,156 (2016 - \$140,323) and is included in accounts payable and accrued liabilities. The amount owing is non-interest bearing, is unsecured and has no specific repayment terms.

All transactions with the Society are measured at the exchange amount.

5. Deferred revenue:

	2017	2016
Balance, beginning of year	\$ 419,284	\$ 621,227
Amounts amortized into revenue	(419,284)	(621,227)
Amounts received	606,155	419,284
Balance, end of year	\$ 606,155	\$ 419,284

6. Restricted fund:

The Restricted fund includes unspent externally restricted donations and grants.

During 2017, the Organization received donations of \$13,700 (2016 - \$27,916) externally restricted for research and patient support. In addition, the Organization received a grant from the Society of \$5,486,703 (2016 - nil) externally restricted for mission and mission-related activities. These donations and grants are recorded as revenue in the statement of revenue and expenses under the Restricted fund.

Research expenses are recognized under the Restricted fund. Funds are transferred from the Operating fund by interfund transfer to cover these expenses.

THE LEUKEMIA & LYMPHOMA SOCIETY OF CANADA/ SOCIÉTÉ DE LEUCÉMIE & LYMPHOME DU CANADA

Notes to Financial Statements (continued)

Year ended June 30, 2017

7. Endowment fund:

The Endowment fund includes the following:

	2017	2016
Rae Endowment Fund	\$ 260,114	\$ 260,114
The United Food & Commercial Workers ("UFCW") Endowment Fund	90,000	90,000
Unspent investment income	150,308	114,230
	<u>\$ 500,422</u>	<u>\$ 464,344</u>

Amounts restricted for endowment purposes are subject to externally imposed restrictions, stipulating that the principal be maintained permanently. The investment income earned on the Rae Endowment Fund is externally restricted to support research activities or to assist charitable organizations whose activities are within or similar to the Organization's objectives. The investment income earned on the UFCW Endowment Fund is externally restricted to fund scholarships for Canadian universities to distribute to students enrolled in courses related to leukemia research.

Investment income may be spent for purposes as specified in the restrictive endowment agreements. The Board of Directors has internally restricted the unspent investment income to be held in its respective endowment fund until used for its intended restriction.

8. Investment and other income:

	2017	2016
Income from pooled funds	\$ 133,054	\$ 122,260
Interest	41,838	26,494
Other	3,820	19,996
Net realized gain on sale of investments	677,530	217
Change in unrealized loss on investments	(498,362)	(93,176)
	<u>\$ 357,880</u>	<u>\$ 75,791</u>

Included in management and general expenses are investment management fees in the amount of \$35,010 (2016 - \$36,218).

THE LEUKEMIA & LYMPHOMA SOCIETY OF CANADA/ SOCIÉTÉ DE LEUCÉMIE & LYMPHOME DU CANADA

Notes to Financial Statements (continued)

Year ended June 30, 2017

9. Commitments:

The Organization is committed to rental payments and operating expenses under various operating leases and service agreements. Minimum annual payments under the terms of these leases and agreements, including applicable taxes, are approximately as follows:

2018	\$ 523,000
2019	524,000
2020	510,000
2021	436,000
2022	187,000
	\$ 2,180,000

10. Fundraising expenses:

Fundraising expenses consist of the following:

	2017	2016
Direct event fundraising (a)	\$ 845,499	\$ 787,992
General fundraising (b)	3,125,948	3,281,036
	\$ 3,971,447	\$ 4,069,028

(a) Direct event fundraising expenses are costs directly related to putting on major events which include both fundraising and public education/patient support components. Fundraising expenses include, but are not limited to, participant incentives (such as T-shirts), venue rental fees (such as for city parks), etc.

(b) General fundraising expenses are costs related to overall fundraising activities. These expenses include but are not limited to staffing, promotion, occupancy, printing and postage.

THE LEUKEMIA & LYMPHOMA SOCIETY OF CANADA/ SOCIÉTÉ DE LEUCÉMIE & LYMPHOME DU CANADA

Notes to Financial Statements (continued)

Year ended June 30, 2017

11. Expenses:

The following table summarizes direct expenses and allocated expenses which are included in the statement of revenue and expenses:

			2017	2016
	Direct expenses	Allocated expenses	Total	Total
Research	\$ 3,852,536	\$ 274,031	\$ 4,126,567	\$ 3,012,275
Public education	469,606	1,601,864	2,071,470	2,324,056
Patient support	269,534	938,822	1,208,356	1,136,676
Fundraising	568,484	2,557,464	3,125,948	3,281,036
Management and general	393,321	1,366,286	1,759,607	1,711,037
	\$ 5,553,481	\$ 6,738,467	\$ 12,291,948	\$ 11,465,080

12. Guarantees:

In the normal course of business, the Organization enters into agreements that meet the definition of a guarantee. The Organization's primary guarantees are as follows:

- (a) The Organization has provided indemnities under lease agreements for the use of various operating facilities. Under the terms of these agreements, the Organization agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, losses, suits and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.
- (b) The Organization indemnifies all directors and volunteers for various items including, but not limited to, all costs to settle suits or actions due to services provided to the Organization, subject to certain restrictions. The Organization has purchased liability insurance to mitigate the cost of any potential future suits or actions. The amount of any potential future payment cannot be reasonably estimated.

THE LEUKEMIA & LYMPHOMA SOCIETY OF CANADA/ SOCIÉTÉ DE LEUCÉMIE & LYMPHOME DU CANADA

Notes to Financial Statements (continued)

Year ended June 30, 2017

12. Guarantees (continued):

The nature of these indemnification agreements prevents the Organization from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Organization has not made any significant payments under such or similar indemnification agreements and, therefore, no amount has been accrued with respect to these agreements.

13. Financial risks:

(a) Interest rate and currency risks:

The Organization is exposed to interest rate and currency risks with respect to its investments in fixed income investments and foreign currency-denominated investments because the fair value will fluctuate due to changes in market rates. The Organization does not currently enter into forward contracts to mitigate these risks. There has been no changes to the risk exposure from 2016.

(b) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2016.

(c) Market risk:

Market risk arises as a result of trading equities and fixed income securities. Fluctuations in the market expose the Organization to risk of loss. The Investment Committee of the Organization monitors investment decisions and results. There has been no change to the risk exposures from 2016.