

Financial Statements of

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

Year ended June 30, 2012



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2012, 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 generally accepted accounting principles, 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, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the Canada Corporations Act, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding period.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

October 2, 2012
Toronto, Canada

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

Statement of Financial Position

June 30, 2012, with comparative figures for 2011

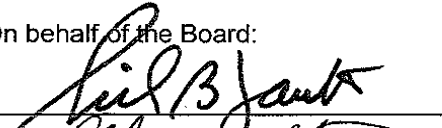
	2012	2011
Assets		
Current assets:		
Cash	\$ 1,751,651	\$ 1,544,650
Investments (note 2)	2,142,786	2,080,957
Sundry receivables	483,221	734,945
Prepaid expenses	206,723	178,658
Other current assets	135,122	159,451
	<u>4,719,503</u>	<u>4,698,661</u>
Capital assets (note 3)	216,260	222,214
	<u>\$ 4,935,763</u>	<u>\$ 4,920,875</u>

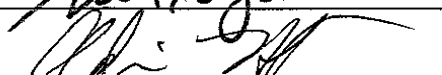
Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 544,095	\$ 669,591
Grants and fellowships payable	1,169,951	718,650
Deferred revenue (note 6)	829,539	714,329
	<u>2,543,585</u>	<u>2,102,570</u>
Fund balances:		
Operating fund:		
Invested in capital assets	216,260	222,214
Unrestricted	434,526	821,359
	<u>650,786</u>	<u>1,043,573</u>
Restricted fund (note 8)	1,224,580	536,138
Endowment fund (note 9)	516,812	1,238,594
	<u>2,392,178</u>	<u>2,818,305</u>
Commitments (note 11)		
Guarantees (note 13)		
	<u>\$ 4,935,763</u>	<u>\$ 4,920,875</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, 2012, with comparative figures for 2011

				2012	2011
	Operating fund	Restricted fund	Endowment fund	Total	Total
Revenue:					
Contributions	\$ 14,305,541	\$ 411,881	\$ –	\$ 14,717,422	\$ 13,756,653
Less direct donor benefit costs	1,875,366	–	–	1,875,366	1,470,164
	12,430,175	411,881	–	12,842,056	12,286,489
Bequests	154,289	–	–	154,289	243,900
Investment and other income (note 10)	117,411	–	–	117,411	106,770
Net unrealized gain (loss) on investments	(22,651)	–	–	(22,651)	149,686
	12,679,224	411,881	–	13,091,105	12,786,845
Expenses (note 12):					
Program services:					
Research	–	1,867,102	–	1,867,102	1,818,831
Public education	4,829,616	–	–	4,829,616	4,239,437
Patient support	1,958,681	17,808	–	1,976,489	1,613,555
	6,788,297	1,884,910	–	8,673,207	7,671,823
Support services:					
Fundraising	3,727,439	–	–	3,727,439	4,100,797
Management and general (note 10)	1,116,586	–	–	1,116,586	1,165,017
	4,844,025	–	–	4,844,025	5,265,814
	11,632,322	1,884,910	–	13,517,232	12,937,637
Excess (deficiency) of revenue over expenses	\$ 1,046,902	\$ (1,473,029)	\$ –	\$ (426,127)	\$ (150,792)

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, 2012, with comparative figures for 2011

	Operating fund				2012	2011
	Invested in capital assets	Unrestricted fund	Restricted fund (note 8)	Endowment fund (note 9)	Total	Total
Fund balances, beginning of year	\$ 222,214	\$ 821,359	\$ 536,138	\$ 1,238,594	\$ 2,818,305	\$ 2,969,097
Excess (deficiency) of revenue over expenses	(48,621)	1,095,523	(1,473,029)	–	(426,127)	(150,792)
Interfund transfers - Restricted	–	(1,432,102)	2,161,471	(729,369)	–	–
Interfund transfers - Endowment interest	–	(7,587)	–	7,587	–	–
Investment in capital assets	42,667	(42,667)	–	–	–	–
Fund balances, end of year	\$ 216,260	\$ 434,526	\$ 1,224,580	\$ 516,812	\$ 2,392,178	\$ 2,818,305

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, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (426,127)	\$ (150,792)
Items not involving cash:		
Amortization	48,621	22,471
Net unrealized loss (gain) on investments	22,651	(149,686)
Change in non-cash operating working capital:		
Sundry receivables	251,724	1,041,465
Prepaid expenses	(28,065)	(39,592)
Other current assets	24,329	36,596
Accounts payable and accrued liabilities	(125,496)	(125,369)
Grants and fellowships payable	451,301	71,874
Deferred revenue	115,210	64,839
	334,148	771,806
Investing activities:		
Net change in investments	(84,480)	(88,218)
Additions to capital assets	(42,667)	(111,255)
	(127,147)	(199,473)
Increase in cash	207,001	572,333
Cash, beginning of year	1,544,650	972,317
Cash, end of year	\$ 1,751,651	\$ 1,544,650

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, 2012

The Leukemia & Lymphoma Society of Canada/Société de Leucémie & Lymphome du Canada (the "Organization") is a volunteer-driven organization whose mission is to cure leukemia, lymphoma, Hodgkin's disease and myeloma, and to improve the quality of life of patients and their families.

The Organization is incorporated without share capital under the Canada 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 in accordance with Canadian generally accepted accounting principles applied within the framework of the significant accounting policies summarized below:

(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.

(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.

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

Notes to Financial Statements (continued)

Year ended June 30, 2012

1. Significant accounting policies (continued):

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 other than investments:

Cash is designated as held-for-trading, which is measured at fair value. Sundry receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and grants and fellowships payable are classified as other financial liabilities, which are measured at amortized cost.

The Organization has adopted The Canadian Institute of Chartered Accountants' Handbook Section 3861, Financial Instruments - Disclosure and Presentation. In accordance with the Accounting Standards Board's decision to exempt not-for-profit organizations from the disclosure requirements with respect to financial instruments contained within Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation, the Organization has elected not to adopt these standards in its financial statements.

(d) Investments:

Investments are classified as held-for-trading and stated at fair value. The change in the difference between the fair value and cost of investments at the beginning and end of each year is reflected in the statement of revenue and expenses. Pooled funds are valued at year-end quoted market prices, where available. Where quoted prices are not available, estimated fair values are calculated using comparable investments. Transaction costs that are directly attributable to the acquisition of investments are not considered significant and are expensed when incurred.

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

Notes to Financial Statements (continued)

Year ended June 30, 2012

1. Significant accounting policies (continued):

(e) 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.

(f) Gifts in kind:

Donated material is only recorded when a fair market value can be reasonably estimated and when the materials are normally purchased by the Organization and would be paid for if not donated.

Included in contributions on the statement of revenue and expenses is \$31,223 (2011 - \$50,780) in donated shares and other materials.

(g) 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 and consistent basis between the program and support services benefited.

(h) 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. Actual results could differ from those estimates.

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

Notes to Financial Statements (continued)

Year ended June 30, 2012

2. Investments:

	2012		2011	
	Cost	Fair value	Cost	Fair value
Cash	\$ 34,403	\$ 34,403	\$ 71,220	\$ 71,220
Pooled funds:				
Canadian equity	320,993	321,455	298,677	350,440
U.S. equity	502,523	520,038	523,542	532,188
EAFE equity	337,188	245,575	337,188	274,958
Bond	886,985	976,315	801,985	842,151
Canadian money market	45,000	45,000	10,000	10,000
	<u>\$ 2,127,092</u>	<u>\$ 2,142,786</u>	<u>\$ 2,042,612</u>	<u>\$ 2,080,957</u>

Investment risk management:

Risk management relates to the understanding and active management of risks associated with all areas of the Organization and the associated operating environment. Investments are primarily exposed to market and foreign currency risks. The Organization has formal policies and procedures that establish target asset mix. The Organization's policies also require diversification of investments within categories and set limits on exposure to individual investments.

(a) Market risk:

Market risk arises as a result of trading in equity securities and pooled funds. Fluctuations in the market expose the Organization to a risk of loss. The Organization mitigates this risk through controls to monitor and limit concentration levels.

(b) Foreign currency risk:

Foreign currency risk arises from gains and losses due to fluctuations in foreign currency exchange rates on the Organization's foreign investments. The Organization does not hedge its foreign currency risk on these investments.

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

Notes to Financial Statements (continued)

Year ended June 30, 2012

3. Capital assets:

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
Office furniture and equipment	\$ 263,922	\$ 132,286	\$ 131,636	\$ 140,607
Leasehold improvements	143,157	58,533	84,624	81,607
	\$ 407,079	\$ 190,819	\$ 216,260	\$ 222,214

4. Bank facilities:

On June 14, 2011, the Organization obtained a \$500,000 temporary overdraft facility which expired on August 26, 2011. The Organization did not renew this facility as of June 30, 2012.

5. 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 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, 2012, the amount owed to the Society totalled \$117,325 (2011 - \$131,060) and is included in accounts payable and accrued liabilities. The amount owing is non-interest bearing, is unsecured and has no specific repayment terms.

6. Deferred revenue:

	2012	2011
Balance, beginning of year	\$ 714,329	\$ 649,490
Amounts amortized into revenue	(714,329)	(649,490)
Amounts received	829,539	714,329
Balance, end of year	\$ 829,539	\$ 714,329

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

Notes to Financial Statements (continued)

Year ended June 30, 2012

7. Management of capital:

The Organization defines its capital as the amounts included in its fund balances. The Organization's objective when managing its capital is to safeguard the Organization's ability to continue as a going concern so that it can continue to provide the appropriate level of benefits and services to the public. A portion of the Organization's capital is restricted in that the Organization is required to meet certain requirements in order to utilize its externally restricted funds, as described in note 1(a). The Organization sets the amount of internally restricted funds in proportion to risk, manages the fund structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

8. Restricted fund:

The Restricted fund includes the following:

	2012	2011
Internally restricted amounts (a)	\$ –	\$ 125,000
Unspent externally restricted donations (b)	1,224,580	411,138
	<u>\$ 1,224,580</u>	<u>\$ 536,138</u>

(a) The Board of Directors has internally restricted amounts for research. The internally restricted amounts are not available without approval of the Board of Directors.

In 2012, the Board of Directors approved the release of the internally restricted balance.

(b) During 2012, the Organization received donations of \$411,811 (2011 - \$186,329) externally restricted for research and patient support. These donations are recorded as revenue in the statement of revenue and expenses.

During 2012, based on changes in the underlying funding agreement, the Bill Beattie Memorial Endowment Fund balance of \$678,914 and the related unspent investment income of \$50,455 was transferred from the endowment fund to the restricted fund. The Bill Beattie Memorial Endowment Fund continues to be externally restricted to provide financial assistance to leukemia patients and families within the Province of Alberta.

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

Notes to Financial Statements (continued)

Year ended June 30, 2012

8. Restricted fund (continued):

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

9. Endowment fund:

The Endowment fund includes the following:

	2012	2011
Rae Endowment Fund	\$ 260,114	\$ 260,114
The United Food & Commercial Workers ("UFCW") Endowment Fund	90,000	90,000
Bill Beattie Memorial Endowment Fund	–	678,914
Unspent investment income	166,698	209,566
	<u>\$ 516,812</u>	<u>\$ 1,238,594</u>

Amounts restricted for endowment purposes are subject to externally imposed restrictions, stipulating that the principal be maintained permanently. The amounts held in the Rae Endowment Fund are externally restricted to support research activities or to assist charitable organizations whose activities are within or similar to the Organization's objectives. 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 LEUKEMIA & LYMPHOMA SOCIETY OF CANADA/ SOCIÉTÉ DE LEUCÉMIE & LYMPHOME DU CANADA

Notes to Financial Statements (continued)

Year ended June 30, 2012

10. Investment and other income:

	2012	2011
Income from pooled funds	\$ 59,180	\$ 63,262
Interest	14,643	15,213
Net realized gain on sale of investments	21,568	774
Other	22,020	27,521
	<u>\$ 117,411</u>	<u>\$ 106,770</u>

Included in management and general expenses are investment management fees in the amount of \$26,720 (2011 - \$25,511).

11. 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 are as follows:

2013	\$ 768,000
2014	742,000
2015	547,000
2016	317,000
2017	268,000
Thereafter	210,000
	<u>\$ 2,852,000</u>

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

Notes to Financial Statements (continued)

Year ended June 30, 2012

12. Expenses:

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

2012	Direct expenses	Allocated expenses	Total
Research	\$ 1,700,000	\$ 167,102	\$ 1,867,102
Public education	1,053,768	3,775,848	4,829,616
Patient support	270,740	1,705,749	1,976,489
Fundraising	1,146,571	2,580,868	3,727,439
Management and general	260,939	855,647	1,116,586
	\$ 4,432,018	\$ 9,085,214	\$ 13,517,232

2011	Direct expenses	Allocated expenses	Total
Research	\$ 1,699,999	\$ 118,832	\$ 1,818,831
Public education	1,259,401	2,980,036	4,239,437
Patient support	351,105	1,262,450	1,613,555
Fundraising	1,251,239	2,849,558	4,100,797
Management and general	224,292	940,725	1,165,017
	\$ 4,786,036	\$ 8,151,601	\$ 12,937,637

13. 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.

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

Notes to Financial Statements (continued)

Year ended June 30, 2012

13. Guarantees (continued):

- (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 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.

14. Fair values of financial assets and liabilities:

The fair value of investments is equal to the quoted market value, as disclosed in note 2. The fair values of other financial assets and liabilities, being cash, sundry receivables, accounts payable and accrued liabilities and grants and fellowships payable, approximate their carrying values due to the relatively short-term nature of these financial instruments.