

Financial Statements of

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

Year ended June 30, 2014



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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

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, 2014, 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.

### *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, 2014, 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.

Chartered Professional Accountants, Licensed Public Accountants

October 21, 2014  
Toronto, Canada

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

## Statement of Financial Position

June 30, 2014, with comparative information for 2013

	2014	2013
<b>Assets</b>		
Current assets:		
Cash	\$ 2,435,268	\$ 2,127,623
Investments (note 2)	2,677,663	2,342,862
Sundry receivables	727,675	1,056,215
Prepaid expenses	202,687	302,643
Other current assets	76,971	108,851
	6,120,264	5,938,194
Capital assets (note 3)	207,253	272,717
	\$ 6,327,517	\$ 6,210,911
<b>Liabilities and Fund Balances</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 452,143	\$ 798,157
Grants and fellowships payable	1,875,792	1,661,336
Deferred revenue (note 5)	754,259	916,382
	3,082,194	3,375,875
Fund balances:		
Operating fund:		
Invested in capital assets	207,253	272,717
Unrestricted fund	1,021,046	662,616
	1,228,299	935,333
Restricted fund (note 6)	1,490,466	1,338,445
Endowment fund (note 7)	526,558	561,258
	3,245,323	2,835,036
Commitments (note 10)		
Guarantees (note 13)		
	\$ 6,327,517	\$ 6,210,911

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, 2014, with comparative information for 2013

				2014	2013
	Operating fund	Restricted fund	Endowment fund	Total	Total
<b>Revenue:</b>					
Contributions	\$ 13,861,059	\$ 359,795	\$ -	\$ 14,220,854	\$ 14,925,826
Less direct event fundraising expenses (note 11)	1,598,657	-	-	1,598,657	1,667,109
	12,262,402	359,795	-	12,622,197	13,258,717
Bequests	88,358	-	-	88,358	109,517
Investment and other income (note 8)	155,984	-	-	155,984	166,196
Net unrealized gain on investments	239,078	-	-	239,078	142,089
	12,745,822	359,795	-	13,105,617	13,676,519
<b>Expenses (note 12):</b>					
<b>Program services:</b>					
Research	-	2,148,456	-	2,148,456	1,869,097
Public education	3,360,024	-	-	3,360,024	4,126,540
Patient support	1,664,561	33,918	-	1,698,479	2,481,768
	5,024,585	2,182,374	-	7,206,959	8,477,405
<b>Support services:</b>					
General fundraising (notes 11 and 14)	4,100,163	-	-	4,100,163	3,594,995
Management and general (note 8)	1,388,208	-	-	1,388,208	1,161,261
	5,488,371	-	-	5,488,371	4,756,256
	10,512,956	2,182,374	-	12,695,330	13,233,661
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ 2,232,866</b>	<b>\$ (1,822,579)</b>	<b>\$ -</b>	<b>\$ 410,287</b>	<b>\$ 442,858</b>

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, 2014, with comparative information for 2013

	Operating fund				2014	2013
	Invested in capital assets	Unrestricted fund	Restricted fund (note 6)	Endowment fund (note 7)	Total	Total
Fund balances, beginning of year	\$ 272,717	\$ 662,616	\$ 1,338,445	\$ 561,258	\$ 2,835,036	\$ 2,392,178
Excess (deficiency) of revenue over expenses	(65,464)	2,298,330	(1,822,579)	-	410,287	442,858
Interfund transfers - restricted	-	(1,855,150)	1,974,600	(119,450)	-	-
Interfund transfers - endowment interest	-	(84,750)	-	84,750	-	-
Fund balances, end of year	\$ 207,253	\$ 1,021,046	\$ 1,490,466	\$ 526,558	\$ 3,245,323	\$ 2,835,036

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, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 410,287	\$ 442,858
Items not involving cash:		
Amortization	65,464	63,212
Net unrealized gain on investments	(239,078)	(142,089)
Net realized gain on sale of investments	(35,246)	(2,387)
Change in non-cash operating working capital:		
Sundry receivables	328,540	(572,994)
Prepaid expenses	99,956	(95,920)
Other current assets	31,880	26,271
Accounts payable and accrued liabilities	(346,014)	254,062
Grants and fellowships payable	214,456	491,385
Deferred revenue	(162,123)	86,843
	368,122	551,241
Investing activities:		
Purchases of investments	(262,043)	(120,023)
Proceeds on sale of investments	201,566	64,423
Additions to capital assets	—	(119,669)
	(60,477)	(175,269)
Increase in cash	307,645	375,972
Cash, beginning of year	2,127,623	1,751,651
Cash, end of year	\$ 2,435,268	\$ 2,127,623

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, 2014

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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 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.

### (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, 2014

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## 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:

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.

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.



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

Notes to Financial Statements (continued)

Year ended June 30, 2014

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## 1. Significant accounting policies (continued):

### (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 \$12,002 (2013 - \$21,956) 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 and consistent basis between the program and support services benefited.

### (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 items subject to estimates and assumptions include the estimated useful lives of capital assets and allocation of expenses. 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, 2014

## 2. Investments:

	2014	2013
Cash	\$ 25,051	\$ 31,371
Pooled funds:		
Canadian equity	423,727	343,584
U.S. equity	535,592	575,270
EAFE equity	417,006	346,426
Bond	1,276,287	1,001,211
Canadian money market	-	45,000
	<b>\$ 2,677,663</b>	<b>\$ 2,342,862</b>

## 3. Capital assets:

		2014	2013
	Cost	Accumulated amortization	Net book value
Office furniture and equipment	\$ 334,091	\$ 215,972	\$ 118,119
Leasehold improvements	192,657	103,523	89,134
	<b>\$ 526,748</b>	<b>\$ 319,495</b>	<b>\$ 207,253</b>
			<b>\$ 272,717</b>

## 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 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, 2014, the amount owed to the Society totalled \$31,110 (2013 - \$92,789) and is included in accounts payable and accrued liabilities. The amount owing is non-interest bearing, is unsecured and has no specific repayment terms.

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

Notes to Financial Statements (continued)

Year ended June 30, 2014

## 5. Deferred revenue:

	2014	2013
Balance, beginning of year	\$ 916,382	\$ 829,539
Amounts amortized into revenue	(916,382)	(829,539)
Amounts received	754,259	916,382
<b>Balance, end of year</b>	<b>\$ 754,259</b>	<b>\$ 916,382</b>

## 6. Restricted fund:

The Restricted fund includes unspent externally restricted donations.

During 2014, the Organization received donations of \$191,145 (2013 - \$391,032) externally restricted for research and patient support. These donations are recorded as revenue in the statement of revenue and expenses.

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

## 7. Endowment fund:

The Endowment fund includes the following:

	2014	2013
Rae Endowment Fund	\$ 260,114	\$ 260,114
The United Food & Commercial Workers ("UFCW") Endowment Fund	90,000	90,000
Unspent investment income	176,444	211,144
	<b>\$ 526,558</b>	<b>\$ 561,258</b>

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

Notes to Financial Statements (continued)

Year ended June 30, 2014

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## 7. Endowment fund (continued):

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.

## 8. Investment and other income:

	2014	2013
Income from pooled funds	\$ 78,690	\$ 64,670
Interest	17,515	14,983
Net realized gain on sale of investments	35,246	2,387
Other	24,533	84,156
	<u>\$ 155,984</u>	<u>\$ 166,196</u>

Included in management and general expenses are investment management fees in the amount of \$27,857 (2013 - \$28,183).

## 9. Financial risks:

### (a) Currency risk:

The Organization is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates on the Organization's foreign investments. The Organization does not currently enter into forward contracts to mitigate this risk. There has been no change to the risk exposure from 2013.

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

Notes to Financial Statements (continued)

Year ended June 30, 2014

## 9. Financial risks (continued):

### (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 2013.

## 10. 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:

2015	\$ 578,000
2016	346,000
2017	276,000
2018	210,000
	\$ 1,410,000

## 11. Fundraising expenses:

Fundraising expenses consist of the following:

	2014	2013
Direct event fundraising (a)	\$ 1,598,657	\$ 1,667,109
General fundraising (b)	4,100,163	3,594,995
	\$ 5,698,820	\$ 5,262,104

(a) Direct event fundraising expenses are costs directly related to putting on major events which include a fundraising component. These expenses include, but are not limited to, participant incentives (such as T-shirts), venue rental fees (such as for city parks) and travel costs (to send Team in Training participants to marathon).

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

Notes to Financial Statements (continued)

Year ended June 30, 2014

## 11. Fundraising expenses (continued):

(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.

## 12. Expenses:

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

			2014	2013
	Direct expenses	Allocated expenses	Total	Total
Research	\$ 1,929,300	\$ 219,156	\$ 2,148,456	\$ 1,869,097
Public education	994,118	2,365,906	3,360,024	4,126,540
Patient support	736,383	962,096	1,698,479	2,481,768
Fundraising	1,357,841	2,742,322	4,100,163	3,594,995
Management and general	606,849	781,359	1,388,208	1,161,261
	\$ 5,624,491	\$ 7,070,839	\$ 12,695,330	\$ 13,233,661

## 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.
- (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, 2014

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## **13. 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.

## **14. Fundraising:**

Fundraising expenses include remuneration paid to employees whose principal duties involve fundraising totalling \$1,465,309 (2013 - \$457,488).