

The Leprosy Relief (Canada) Inc.

Financial Statements
December 31, 2018



Independent auditor's report

To the Directors of The Leprosy Relief (Canada) Inc.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Leprosy Relief (Canada) Inc. (the Organization) as at December 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited

The Organization's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of operations and changes in fund balances for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to financial statements, which include a summary of significant accounting policies.

Basis for opinion

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 opinion.

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.

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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

Brossard, Quebec
June 11, 2019

¹ CPA auditor, CA, public accountancy permit No. A128779

The Leprosy Relief (Canada) Inc.

Statement of Financial Position

As at December 31, 2018

			2018	2017
	General Adminis- trative Fund \$	Oswald Magniac Endowment Fund \$	Total \$	Total \$
Assets				
Current assets				
Cash	158,056	-	158,056	105,034
Accounts receivable (note 3)	23,487	-	23,487	41,445
Prepaid expenses	1,004	-	1,004	4,910
	182,547	-	182,547	151,389
Investments (note 4)	3,939,068	837,013	4,776,081	5,475,600
Due from Oswald Magniac Endowment Fund	21,330	-	21,330	31,854
Capital assets (note 5)	466	-	466	666
	4,143,411	837,013	4,980,424	5,659,509
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (note 6)	36,796	-	36,796	39,990
Due to General Administrative Fund	-	21,330	21,330	31,854
Charitable gift annuities (note 7)	72,900	-	72,900	72,900
	109,696	21,330	131,026	144,744
Fund Balances				
Unrestricted	4,033,715	-	4,033,715	4,699,082
Externally restricted	-	815,683	815,683	815,683
	4,033,715	815,683	4,849,398	5,514,765
	4,143,411	837,013	4,980,424	5,659,509

Commitments (note 8)

Approved by the Board of Directors

_____ Director

_____ Director

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

The Leprosy Relief (Canada) Inc.

Statement of Operations and Changes in Fund Balances

For the year ended December 31, 2018

			2018	2017
	General Adminis- trative Fund \$	Oswald Magniac Endowment Fund \$	Total \$	Total \$
Revenue				
Donations and contributions	788,621	-	788,621	830,564
Legacies	48,445	-	48,445	484,625
Investment revenues	91,833	28,787	120,620	164,775
Decrease in fair value of investments	(93,463)	(8,163)	(101,626)	(29,123)
Gain on disposal of investments	1,471	-	1,471	2,243
	836,907	20,624	857,531	1,453,084
Expenses				
Financing campaigns	83,770	-	83,770	76,921
Services to donors	69,499	-	69,499	67,185
Administration	96,051	2,062	98,113	102,214
Return on charitable gift annuities	2,598	-	2,598	2,598
Amortization of capital assets	200	-	200	286
	252,118	2,062	254,180	249,204
Excess of revenue over expenses before contributions to projects	584,789	18,562	603,351	1,203,880
Contributions to projects	(1,250,156)	(18,562)	(1,268,718)	(1,256,984)
Excess of expenses over revenue for the year	(665,367)	-	(665,367)	(53,104)
Fund balances – Beginning of year	4,699,082	815,683	5,514,765	5,567,869
Fund balances – End of year	4,033,715	815,683	4,849,398	5,514,765

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

The Leprosy Relief (Canada) Inc.

Statement of Cash Flows

For the year ended December 31, 2018

	2018 \$	2017 \$
Cash flows from		
Operating activities		
Excess of expenses over revenue for the year	(665,367)	(53,104)
Adjustments for		
Decrease in fair value of investments	101,626	29,123
Amortization of capital assets	200	286
Gain on disposal of investments	(1,471)	(2,243)
	<u>(565,012)</u>	<u>(25,938)</u>
Changes in non-cash working capital balances		
Accounts receivable	17,958	(10,777)
Prepaid expenses	3,906	422
Accounts payable and accrued liabilities	(3,194)	(13)
	<u>18,670</u>	<u>(10,368)</u>
	<u>(546,342)</u>	<u>(36,306)</u>
Investing activities		
Purchase of investments	(617,096)	(924,793)
Proceeds on disposal of investments	1,216,460	784,216
	<u>599,364</u>	<u>(140,577)</u>
Net change in cash during the year	53,022	(176,883)
Cash – Beginning of year	<u>105,034</u>	<u>281,917</u>
Cash – End of year	<u>158,056</u>	<u>105,034</u>

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

The Leprosy Relief (Canada) Inc.

Notes to Financial Statements

December 31, 2018

1 Legal status and activities

The Leprosy Relief (Canada) Inc. (the “organization”), incorporated and continued under Section 211 of the Canada Not-for-Profit Corporations Act, is a charitable organization which collects donations and contributions in order to distribute those funds to charitable organizations specializing in the treatment of leprosy, tuberculosis and other infectious diseases.

2 Significant accounting policies

Basis of presentation

The organization follows the restricted fund method of accounting for donations and contributions.

The General Administrative Fund accounts for the organization’s program delivery and administrative activities. This fund reports unrestricted resources.

The Oswald Magniac Endowment Fund reports resources contributed for endowment. The revenue generated from this fund must be used for charitable works to help, through medical and social actions, the victims of leprosy, tuberculosis and other infectious diseases, and no more than 10% of such revenue should be used for any of the charity’s administrative costs.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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 reporting period. Actual results could differ from those estimates.

Financial instruments – Recognition and measurement

Measurement of financial instruments

The organization initially measures its financial assets and financial liabilities at fair value, except for certain non-arm’s length transactions.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for cash and investments.

Financial assets measured at amortized cost consist of accounts receivable, and financial assets measured at fair value comprise cash and investments.

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

The Leprosy Relief (Canada) Inc.

Notes to Financial Statements

December 31, 2018

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of 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.

Capital assets and amortization

Capital assets are initially recorded at cost. Amortization is calculated using the declining balance method at a rate of 20% for office furniture and equipment, and 30% for computer equipment.

Charitable gift annuities

A charitable gift annuity is an irrevocable contribution to the organization in exchange for annuity payments guaranteed for life at a rate negotiated between the parties determined according to the donor's life expectancy. Revenue on those contributions as well as payments made to donors are recorded in the statement of operations. The organization makes periodic valuations of the related liability. On the death of the donor, the organization records a donation revenue equivalent to the contribution received.

Allocation of charges

The organization presents its expenses by function in the statement of operations and changes in fund balances, which requires the allocation of certain general operating expenses to various related functions.

General operating expenses consist primarily of salaries and fringe benefits. These expenses are allocated between financing campaigns, services to donors, administration and contributions to projects, according to a distribution key based on the number of hours directly attributable to each function. Other operating expenses, including rent, are directly included in administration.

Income taxes

The organization is a not-for-profit organization and is therefore exempt from income taxes.

Foreign currencies

Monetary assets and liabilities resulting from foreign currency transactions are translated into Canadian dollars at year-end exchange rates. All other assets and liabilities are translated at the exchange rates in effect at the dates of the transactions. Revenue and expense items are translated at the average exchange rates for the year. Exchange gains or losses are included in the statement of operations.

Donations

Donations are considered as revenue when collected.

The Leprosy Relief (Canada) Inc.

Notes to Financial Statements

December 31, 2018

Contributions to projects

Contributions to projects represent the amounts distributed to charitable organizations specialized in the treatment of leprosy, tuberculosis and other infectious diseases, as well as the allocation of salary expenses and fringe benefits (note 9).

3 Accounts receivable

	2018 \$	2017 \$
Commodity taxes	4,787	3,067
Interest	18,700	38,378
	<hr/> 23,487	<hr/> 41,445

4 Investments

The par value and fair value of investments are as follows:

	2018		2017	
	Par value \$	Fair value \$	Par value \$	Fair value \$
Deposit certificates – General Administrative Fund (i)	449,000	449,166	175,000	175,000
Deposit certificates – Oswald Magniac Endowment Fund (i)	75,000	75,000	75,000	75,000
Investments in savings (i)	622,913	622,913	1,217,437	1,217,437
Bonds – General Administrative Fund (ii)	2,006,051	2,023,280	2,285,254	2,325,960
Bonds – Oswald Magniac Endowment Fund (ii)	772,415	762,012	772,453	770,181
Funds held in trust (iii)	10,193	10,813	10,193	10,909
Shares and investment fund units – General Administrative Fund	849,809	832,897	845,612	898,756
Shares – Oswald Magniac Endowment Fund	-	-	2,325	2,357
	<hr/> 4,785,381	<hr/> 4,776,081	<hr/> 5,383,274	<hr/> 5,475,600

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Significant terms and conditions of and exposures to interest rate risk for investments consist of the following:

- i) Interest rates range from 1.75% to 6.93% (2017 – 1.75% to 6.93%), and maturities are from November 2019 to December 2046.
- ii) Bonds – General Administrative Fund and Oswald Magniac Endowment Fund

Value

	2018		2017	
	Par value \$	Fair value \$	Par value \$	Fair value \$
Municipal bonds	1,992,518	1,987,244	2,272,955	2,295,911
Corporate and other bonds	785,948	798,048	784,752	800,230
	<u>2,778,466</u>	<u>2,785,292</u>	<u>3,057,707</u>	<u>3,096,141</u>

Terms and maturities

	2018		2017	
	Par value \$	Fair value \$	Par value \$	Fair value \$
One year or less	137,946	146,564	278,718	282,530
After one year through five years	2,000,675	2,004,263	1,790,780	1,819,574
After five years	639,845	634,465	988,209	994,037
	<u>2,778,466</u>	<u>2,785,292</u>	<u>3,057,707</u>	<u>3,096,141</u>

Rates

	Effective interest rate	
	2018 %	2017 %
Municipal bonds	From 2.95 to 4.25	From 2.35 to 5.45
Corporate and other bonds	From 1.75 to 6.93	From 1.75 to 6.93

- iii) Funds held in trust comprise investments in mutual funds.

The Leprosy Relief (Canada) Inc.

Notes to Financial Statements

December 31, 2018

5 Capital assets

	2018		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Office furniture and equipment	12,063	12,063	-
Computer equipment	18,753	18,287	466
	30,816	30,350	466
	2017		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Office furniture and equipment	12,063	12,063	-
Computer equipment	18,753	18,087	666
	30,816	30,150	666

6 Accounts payable and accrued liabilities

	2018	2017
	\$	\$
Accounts payable and accrued liabilities	27,550	30,773
Government remittances*	9,246	9,217
	36,796	39,990

* Government remittances consist of payroll withholding taxes required to be paid to government authorities and are recognized when the amounts become due.

The Leprosy Relief (Canada) Inc.

Notes to Financial Statements

December 31, 2018

7 Charitable gift annuities

	2018 \$	2017 \$
Balance – Beginning of year	72,900	72,900
Less: Annuities reversed to revenue	-	-
	<hr/>	<hr/>
Balance – End of year	72,900	72,900
	<hr/>	<hr/>

The organization is committed to deposit in trust the annuities received and to pay a return on these annuities at rates varying from 5.98% to 10.00% until the death of the donor.

8 Commitments

The organization has commitments under an operating lease maturing in May 2021, which provides for a minimal rent to be paid as follows over the next three years:

	\$
2019	17,539
2020	17,631
2021	7,374

9 Allocation of salary expenses and fringe benefits

Salary expenses are allocated on a pro-rata basis, according to the number of hours worked, in the following manner:

	2018 \$	2017 \$
Financing campaigns	31,496	31,048
Services to donors	58,512	57,630
Administration	45,892	45,821
Contributions to projects	62,992	62,095
	<hr/>	<hr/>
	198,892	196,594
	<hr/>	<hr/>

The Leprosy Relief (Canada) Inc.

Notes to Financial Statements

December 31, 2018

10 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 December 31, 2018.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. 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. The organization's main credit risk relates to its cash and investments. The organization invests only with recognized financial institutions, which reduces its credit risk.

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 to interest rate risk and other price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed rate instruments subject the organization to fair value risk, while floating rate instruments subject it to cash flow risk.

As at December 31, 2018, the interest rate risk to which the organization is exposed is summarized as follows:

Cash	Non-interest bearing
Accounts receivable	Non-interest bearing
Financial assets included in investments	
Deposit certificates	Fixed rates
Investments in savings	Fixed rates
Bonds	Fixed rates
Funds held in trust	Non-interest bearing
Shares and investment fund units	Non-interest bearing
Due from Oswald Magniac Endowment Fund	Non-interest bearing
Accounts payable and accrued liabilities	Non-interest bearing
Due to General Administrative Fund	Non-interest bearing
Charitable gift annuities	Fixed rates

The Leprosy Relief (Canada) Inc.

Notes to Financial Statements

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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, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The organization is exposed to other price risk through its investments.

Supplementary information

Schedule of Contributions to Projects..... Schedule I

Schedule of ExpensesSchedule II

The Leprosy Relief (Canada) Inc.

Schedule of Contributions to Projects

Schedule I

(Unaudited)

For the year ended December 31, 2018

	2018	2017
	\$	\$
Africa		
Cameroon	-	20,707
Chad	23,181	22,551
Congo	49,394	47,259
Guinea-Bissau	23,179	22,729
Madagascar	52,429	57,135
Mozambique	69,536	68,186
Senegal	69,463	67,798
Americas		
Colombia	-	20,250
Dominican Republic	153,004	172,230
El Salvador	-	19,564
Honduras	-	19,564
Nicaragua	78,810	39,128
Peru	23,000	23,000
Asia		
Bangladesh	64,831	62,027
India	250,224	231,541
Nepal	54,027	52,732
Philippines	32,833	32,602
Other		
Education	12,899	10,749
ILEP research	95,460	94,065
Project management	62,992	62,095
International Cooperation	103,887	57,952
IDEA Project	49,569	53,120
	<hr/>	<hr/>
	1,268,718	1,256,984
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The Leprosy Relief (Canada) Inc.

Schedule of Expenses

(Unaudited)

For the year ended December 31, 2018

Schedule II

	2018 \$	2017 \$
Financing campaigns		
Salaries and fringe benefits	31,496	31,048
Postage	27,385	28,710
Printing	10,141	10,203
Envelopes	8,972	2,156
Preparation of mailings	3,936	3,414
Promotion	1,840	1,390
	<hr/> 83,770	<hr/> 76,921
Services to donors		
Salaries and fringe benefits	58,512	57,630
Receipts, envelopes and stamps	6,741	5,544
Computer expenses	4,246	4,011
	<hr/> 69,499	<hr/> 67,185
Administration		
Salaries and fringe benefits	45,892	45,821
Legal and audit fees	25,217	28,194
Lease	14,516	14,752
Office expenses	6,670	6,937
Telephone	3,506	3,204
Taxes	1,377	2,435
Insurance	935	871
	<hr/> 98,113	<hr/> 102,214