

The Leprosy Relief (Canada) Inc.
Financial Statements
December 31, 2019

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Independent Auditor's Report

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

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Opinion

We have audited the financial statements of The Leprosy Relief (Canada) Inc. (hereafter "the Organization"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations and net assets and cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies, and the schedules.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2019, 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.

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 are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter – Comparative information audited by a predecessor auditor

The financial statements of the Organization for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on June 11, 2019.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Raymond Chabot Grant Thornton LLP¹

Montréal
May 14, 2020

¹ CPA auditor, CA public accountancy permit no. A131601

The Leprosy Relief (Canada) Inc.

Operations and Fund Balances

Year ended December 31, 2019

	2019		2018
	General Administrative Fund \$	Oswald Magniac Endowment Fund \$	Total \$
Revenues			
Donations (Note 3)	1,071,520		837,066
Net investment income (Note 4)	216,975		20,465
	1,288,495	-	1,288,495
Expenses			
Financing campaigns (Schedule A)	87,355		83,770
Services to donors (Schedule B)	70,874		69,499
Administration (Schedule C)	98,834		98,113
Return on charitable gift annuities	2,598		2,598
Amortization of equipment	140		200
	259,801	-	259,801
Excess of revenues over expenses before contributions to projects	1,028,694	-	603,351
Contributions to projects	1,129,003	-	1,129,003
Deficiency of revenues over expenses	(100,309)	-	(665,367)
Fund balances, beginning of year	4,033,715	815,683	4,849,398
Fund balances, end of year	3,933,406	815,683	4,749,089

The accompanying notes and schedules are an integral part of the financial statements.

The Leprosy Relief (Canada) Inc.

Cash Flows

Year ended December 31, 2019

	<u>2019</u>	<u>2018</u>
	\$	\$
OPERATING ACTIVITIES		
Deficiency of revenues over expenses	(100,309)	(665,367)
Non-cash items		
Depreciation	140	200
Net change in fair value of investments	<u>(84,478)</u>	<u>100,155</u>
	(184,647)	(565,012)
Net change in working capital items	<u>6,864</u>	<u>18,670</u>
Cash flows from operating activities	<u>(177,783)</u>	<u>(546,342)</u>
INVESTING ACTIVITIES		
Investments	(487,270)	(617,096)
Disposal of investments	<u>650,070</u>	<u>1,216,460</u>
Cash flows from investing activities	<u>162,800</u>	<u>599,364</u>
Net increase (decrease) in cash	(14,983)	53,022
Cash, beginning of year	<u>158,056</u>	<u>105,034</u>
Cash, end of year	<u><u>143,073</u></u>	<u><u>158,056</u></u>

The accompanying notes and schedules are an integral part of the financial statements.

The Leprosy Relief (Canada) Inc.

Financial Position

December 31, 2019

	2019		2018	
	General Administrative Fund \$	Oswald Magniac Endowment Fund \$	Total \$	Total \$
ASSETS				
Current				
Cash	143,073		143,073	158,056
Other receivables (Note 5)	11,963		11,963	23,487
Prepaid expenses				1,004
Due from Oswald Magniac Endowment Fund	<u>27,993</u>			
	183,029	-	155,036	182,547
Long-term				
Investments (Note 6)	3,854,083	843,676	4,697,759	4,776,081
Equipment (Note 7)	<u>326</u>		<u>326</u>	466
	<u>4,037,438</u>	<u>843,676</u>	<u>4,853,121</u>	<u>4,959,094</u>
LIABILITIES				
Current				
Trade payables and other operating liabilities (Note 8)	31,132		31,132	36,796
Deferred contributions (Note 9)	72,900		72,900	72,900
Due to General Administrative Fund		<u>27,993</u>		
	<u>104,032</u>	<u>27,993</u>	<u>104,032</u>	<u>109,696</u>
FUND BALANCES				
Unrestricted	3,933,406		3,933,406	4,033,715
Externally restricted		<u>815,683</u>	<u>815,683</u>	815,683
	<u>3,933,406</u>	<u>815,683</u>	<u>4,749,089</u>	<u>4,849,398</u>
	<u>4,037,438</u>	<u>843,676</u>	<u>4,853,121</u>	<u>4,959,094</u>

The accompanying notes and schedules are an integral part of the financial statements.

On behalf of the Board,

Director

Director

The Leprosy Relief (Canada) Inc.

Notes to Financial Statements

December 31, 2019

1 - GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION

The Organization, incorporated 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. It is a registered charity under the Income Tax Act.

2 - SUMMARY OF ACCOUNTING POLICIES

Basis of presentation

The Organization's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts recorded in the financial statements, notes to financial statements and schedules. These estimates are based on management's best knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from these estimates.

Fund accounting

Assets, liabilities, revenues and expenses relating to service delivery and administrative activities are reported in the General Administrative Fund.

Endowment contributions are reported in the Oswald Magniac Endowment Fund. The net investment income 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.

Revenue recognition

Contributions

The Organization follows the restricted method of accounting for contributions.

Contributions restricted for operating expenses are recognized as revenue in the General Administrative Fund, using the deferral method, in the year during which the related expenses are incurred. Restricted contributions for which the Organization does not have a related restricted fund are recognized in the General Administrative Fund using the deferral method. All other restricted contributions are recognized as revenue of the Oswald Magniac Endowment Fund.

Unrestricted contributions are recognized as revenue of the General Administrative Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions received from Oswald Magniac as endowments are recognized as revenue of the Oswald Magniac Endowment Fund.

The Leprosy Relief (Canada) Inc.

Notes to Financial Statements

December 31, 2019

2 - SUMMARY OF ACCOUNTING POLICIES (Continued)

Net investment income

Investment transactions are recorded on the transaction date and resulting revenues are recognized using the accrual method of accounting.

Net investment income includes interest income, income from the interest in net income of mutual funds and changes in fair values.

Interest income is recognized on a time apportionment basis and includes amortization of bond investment premiums and discounts. Income from the interest in net income of mutual funds is recognized upon distribution. Changes in fair value are recognized when they occur.

With respect to investments measured at fair value, the Organization has elected to exclude from changes in fair value the interest in net income of mutual funds.

Financial assets and liabilities

Initial measurement

Upon initial measurement, the Organization's financial assets and liabilities are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs. Transaction costs relating to financial assets and liabilities that will be measured subsequently at fair value are recognized in earnings in the year they are incurred.

Subsequent measurement

At each reporting date, the Organization measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets), except for mutual fund investments which are measured at fair value and bonds which the Organization has elected to measure at fair value by designating that fair value measurement shall apply.

With respect to financial assets measured at amortized cost, the Company assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Company determines that, during the year, there was a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it will then recognize a reduction as an impairment loss in earnings. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in earnings in the year the reversal occurs.

Equipment

Equipment acquired is recorded at cost. When the Organization receives contributions of equipment, its cost is equal to its fair value at the contribution date plus all costs directly attributable to the acquisition of the equipment, or at a nominal value if fair value cannot be reasonably determined.

The Leprosy Relief (Canada) Inc.

Notes to Financial Statements

December 31, 2019

2 - SUMMARY OF ACCOUNTING POLICIES (Continued)

Amortization

Equipment is amortized over its estimated useful life according to the diminishing balance method at the following annual rates:

	<u>Rates</u>
Furniture and fixtures	20%
Computer equipment	30%

Write-down

When conditions indicate that an equipment is impaired, the net carrying amount of the equipment is written down to the tangible capital asset's fair value or replacement cost. The write-down is accounted for in the statement of operations and fund balances and cannot be reversed.

3 - DONATIONS

	<u>2019</u>	<u>2018</u>
	\$	\$
Legacies	<u>273,628</u>	48,445
Donations		
Individuals	743,451	735,091
Not-for-profit organizations	34,955	36,668
Companies	<u>19,486</u>	16,862
	<u>797,892</u>	<u>788,621</u>
	<u>1,071,520</u>	<u>837,066</u>

4 - NET INVESTMENT INCOME

	<u>2019</u>	<u>2018</u>
	\$	\$
General Administrative Fund		
Interest income and income from the interest in net income of mutual funds (a)	132,497	120,620
Net change in fair value (a)	<u>84,478</u>	<u>(100,155)</u>
	<u>216,975</u>	<u>20,465</u>

(a) The net investment income from the Oswald Magniac Endowment Fund is \$33,948 for the year (\$20,624 in 2018). The total amount of this net investment income was used as project contributions.

5 - OTHER RECEIVABLES

	<u>2019</u>	<u>2018</u>
	\$	\$
Interest receivable	8,989	18,699
Indirect taxes	<u>2,974</u>	<u>4,788</u>
	<u>11,963</u>	<u>23,487</u>

The Leprosy Relief (Canada) Inc.

Notes to Financial Statements

December 31, 2019

6 - INVESTMENTS

	<u>2019</u>	<u>2018</u>
	\$	\$
General Administrative Fund		
Investments at amortized cost		
Guaranteed investment certificates, 2.4% to 3.4% (2.4% to 3.4% as at December 31, 2018), maturing at various dates until October 2024	492,166	449,166
Cash bearing interest	464,847	622,913
Investments at fair value		
Municipal bonds, 2.88% to 4.3% (2.95% to 4.25% as at December 31, 2018), maturing at various dates until December 2025	1,498,977	1,225,232
Provincial bonds, 2.7% to 5.75%, maturing at various dates until December 2046	222,166	
Canadian companies bonds, 1.83% to 6.93% (1.75% to 6.93% as at December 31, 2018), maturing at various dates until August 2042	136,746	798,048
Mutual fund investments – Bonds	1,039,181	843,710
	<u>3,854,083</u>	<u>3,939,069</u>
Oswald Magniac Endowment Fund		
Investments at amortized cost		
Guaranteed investment certificates, 3.2% (3.2% as at December 31, 2018), maturing in April 2023	75,000	75,000
Investments at fair value		
Municipal bonds, 2.95% to 4.25% (2.95% to 4.25% as at December 31, 2018), maturing at various dates until March 2027	768,676	762,012
	<u>843,676</u>	<u>837,012</u>
	<u>4,697,759</u>	<u>4,776,081</u>

7 - EQUIPMENT

	<u>2019</u>			<u>2018</u>
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net carrying amount</u>	Net carrying amount
	\$	\$	\$	\$
Furniture and fixtures	12,063	12,063		
Computer equipment	18,753	18,427	326	466
	<u>30,816</u>	<u>30,490</u>	<u>326</u>	<u>466</u>

8 - TRADE PAYABLES AND OTHER OPERATING LIABILITIES

	<u>2019</u>	<u>2018</u>
	\$	\$
Accounts payable and accrued liabilities	22,135	27,550
Fringe benefits payable – Government remittances	8,997	9,246
	<u>31,132</u>	<u>36,796</u>

The Leprosy Relief (Canada) Inc.

Notes to Financial Statements

December 31, 2019

9 - DEFERRED CONTRIBUTIONS

	<u>2019</u>	<u>2018</u>
	\$	\$
Balance, beginning and end of year	<u>72,900</u>	<u>72,900</u>

The Organization is committed to deposit the annuities received in trust and to pay a return on these annuities at rates varying from 5.98% to 10% until the death of the donor.

10 - FINANCIAL RISKS

Credit risk

The Organization is exposed to credit risk regarding the financial assets recognized in the statement of financial position, other than the mutual fund investments. The Organization has determined that the financial assets with more credit risk exposure are Canadian companies bonds since failure of any of these parties to fulfil their obligations could result in significant financial losses for the Organization.

The mutual fund investments indirectly expose the Organization to credit risk.

Market risk

The Organization's financial instruments expose it to market risk, in particular, to interest rate risk and other price risk, resulting from its investing activities.

Interest rate risk

The Organization is exposed to interest rate risk with respect to financial assets bearing fixed interest rates.

Guaranteed investment certificates, cash bearing interest and bonds bear interest at a fixed rate and the Organization is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

The mutual fund investments indirectly expose the Organization to interest rate risk.

Other price risk

The Organization is exposed to other price risk due to mutual fund investments since changes in market prices could result in changes in fair value of these instruments.

Liquidity risk

The Organization's liquidity risk represents the risk that the Organization could encounter difficulty in meeting obligations associated with its financial liabilities. The Organization is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized on the statement of financial position.

The Leprosy Relief (Canada) Inc.

Notes to Financial Statements

December 31, 2019

11 - LEASE

The Organization has entered into a long-term lease agreement expiring in May 2021 which calls for minimum lease payments of \$25,104 for the rental of an office space. Minimum lease payments for the next years are \$17,631 in 2020 and \$7,473 in 2021.

12 - SUBSEQUENT EVENTS

Subsequent to year-end, an outbreak of a new strain of coronavirus (COVID-19) resulted in a major global health crisis which continues to have impacts on the global economy and the financial markets at the date of completion of the financial statements.

These events are likely to cause significant changes to the assets or liabilities in the coming year or to have a significant impact on future operations. Following these events, the Organization has taken and will continue to take action to minimize the impact. However, it is impossible to determine the financial implications of these events for the moment.

The Leprosy Relief (Canada) Inc.

Additional Information – Project Contributions

Year ended December 31, 2019

(Unaudited)

	<u>2019</u>	<u>2018</u>
	\$	\$
AFRICA		
Chad	22,311	23,181
Congo	48,051	49,394
Guinea-Bissau	22,541	23,179
Madagascar	49,755	52,429
Mozambique	67,624	69,536
Senegal	67,573	69,463
	<u>277,855</u>	<u>287,182</u>
AMERICA		
Dominican Republic	156,496	153,004
Nicaragua	41,304	78,810
Peru	22,000	23,000
	<u>219,800</u>	<u>254,814</u>
ASIA		
Bangladesh	63,067	64,831
India	209,675	250,224
Nepal		54,027
Philippines	33,849	32,833
Sri Lanka	60,966	
	<u>367,557</u>	<u>401,915</u>
OTHER		
ILEP research	60,773	95,460
Project management	61,775	62,992
Education	13,326	12,899
International cooperation	93,928	103,887
IDEA Project	33,989	49,569
	<u>263,791</u>	<u>324,807</u>
	<u><u>1,129,003</u></u>	<u><u>1,268,718</u></u>

The Leprosy Relief (Canada) Inc.

Schedules

Year ended December 31, 2019

	SCHEDULE A	
	<u>2019</u>	<u>2018</u>
	\$	\$
<i>FINANCING CAMPAIGNS</i>		
Salaries and fringe benefits	31,093	31,496
Postage	27,706	27,385
Printing	11,507	10,141
Envelopes	11,389	8,972
Preparation of mailings	4,250	3,936
Promotion	1,410	1,840
	<u>87,355</u>	<u>83,770</u>
	SCHEDULE B	
	<u>2019</u>	<u>2018</u>
	\$	\$
<i>SERVICES TO DONORS</i>		
Salaries and fringe benefits	58,228	58,512
Receipts, envelopes and stamps	8,131	6,741
Data processing	4,515	4,246
	<u>70,874</u>	<u>69,499</u>
	SCHEDULE C	
	<u>2019</u>	<u>2018</u>
	\$	\$
<i>ADMINISTRATION</i>		
Salaries and fringe benefits	45,669	45,892
Professional fees	23,196	25,217
Lease	16,627	14,516
Office expenses	6,428	6,670
Telephone	3,979	3,506
Taxes	2,001	1,377
Insurance	934	935
	<u>98,834</u>	<u>98,113</u>