

The Leprosy Relief (Canada) Inc.
Financial Statements
December 31, 2020

Independent Auditor's Report	2 - 4
Financial Statements	
Operations and Fund Balances	5
Cash Flows	6
Financial Position	7
Notes to Financial Statements	8 - 13
Schedules	14
Additional Information	15



Independent Auditor's Report

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

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Grant Thornton LLP**
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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, 2020, and the statements of operations and fund balances 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, 2020, 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.

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 LLP*¹

Montréal
April 21, 2021

¹ CPA auditor, CA public accountancy permit no. A131601

The Leprosy Relief (Canada) Inc.

Operations and Fund Balances

Year ended December 31, 2020

	2020		2019
	General Administrative Fund \$	Oswald Magniac Endowment Fund \$	Total \$
Revenues			
Donations (Note 3)	1,655,758		1,071,520
Canada Emergency Wage Subsidy	8,134		8,134
Canada Emergency Business Account (Note 9)	10,000		10,000
Net investment income (Note 4)	256,591		216,975
	1,930,483	-	1,930,483
Expenses			
Financing campaigns (Schedule A)	66,988		87,355
Services to donors (Schedule B)	74,235		70,874
Administration (Schedule C)	94,983		98,834
Return on charitable gift annuities	2,598		2,598
Amortization of equipment	326		140
	239,130	-	239,130
Excess of revenues over expenses before contributions to projects	1,691,353	-	1,028,694
Contributions to projects	1,152,141		1,129,003
Excess (deficiency) of revenues over expenses	539,212	-	(100,309)
Fund balances, beginning of year	3,933,406	815,683	4,849,398
Fund balances, end of year	4,472,618	815,683	5,288,301

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

The Leprosy Relief (Canada) Inc. Cash Flows

Year ended December 31, 2020

	<u>2020</u>	<u>2019</u>
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	539,212	(100,309)
Non-cash items		
Depreciation	326	140
Net change in fair value of investments	<u>(116,237)</u>	<u>(84,478)</u>
	423,301	(184,647)
Net change in working capital items	<u>(5,303)</u>	<u>6,864</u>
Cash flows from operating activities	<u>417,998</u>	<u>(177,783)</u>
INVESTING ACTIVITIES		
Investments	(1,000,168)	(487,270)
Disposal of investments	<u>601,172</u>	<u>650,070</u>
Cash flows from investing activities	<u>(398,996)</u>	<u>162,800</u>
FINANCING ACTIVITIES		
Long-term debt and cash flows from financing activities	<u>30,000</u>	<u></u>
Net increase (decrease) in cash	49,002	(14,983)
Cash, beginning of year	<u>143,073</u>	<u>158,056</u>
Cash, end of year	<u>192,075</u>	<u>143,073</u>

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

The Leprosy Relief (Canada) Inc.

Financial Position

December 31, 2020

	<u>2020</u>		<u>2019</u>
	General Administrative Fund	Oswald Magniac Endowment Fund	Total
	\$	\$	\$
ASSETS			
Current			
Cash	192,075		143,073
Other receivables (Note 5)	14,184		11,963
Due from Oswald Magniac Endowment Fund	49,012		
	<u>255,271</u>	-	155,036
Long-term			
Investments (Note 6)	4,348,297	864,695	4,697,759
Equipment (Note 7)			326
	<u>4,603,568</u>	<u>864,695</u>	<u>4,853,121</u>
LIABILITIES			
Current			
Trade payables and other operating liabilities (Note 8)	28,050		31,132
Deferred contributions (Note 10)	72,900		72,900
Due to General Administrative Fund		49,012	
	<u>100,950</u>	49,012	104,032
Long-term			
Long-term debt (Note 9)	30,000		30,000
	<u>130,950</u>	<u>49,012</u>	<u>104,032</u>
FUND BALANCES			
Unrestricted	4,472,618		3,933,406
Externally restricted		815,683	815,683
	<u>4,472,618</u>	<u>815,683</u>	4,749,089
	<u>4,603,568</u>	<u>864,695</u>	<u>4,853,121</u>

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

On behalf of the Board,

DocuSigned by:

Jacques Chapleau

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Director

DocuSigned by:

Christiane Beauvais

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Director

The Leprosy Relief (Canada) Inc.

Notes to Financial Statements

December 31, 2020

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 - SIGNIFICANT 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 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.

Since government assistance resulting from the Canada Emergency Wage Subsidy may be examined by the tax authorities, retroactive application clarifications were introduced after the program was announced and some rules may be interpreted differently by the tax authorities, it is possible that the amounts granted will differ from the amounts recorded.

The Leprosy Relief (Canada) Inc.

Notes to Financial Statements

December 31, 2020

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. 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 income and 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, 2020

2 - SIGNIFICANT 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 equipment's fair value or replacement cost. The write-down is accounted for in the statement of operations and cannot be reversed.

3 - DONATIONS

	<u>2020</u>	<u>2019</u>
	\$	\$
Legacies	946,132	273,628
Donations		
Individuals	643,643	743,451
Not-for-profit organizations	45,855	34,955
Companies	20,128	19,486
	<u>709,626</u>	<u>797,892</u>
	<u>1,655,758</u>	<u>1,071,520</u>

4 - NET INVESTMENT INCOME

	<u>2020</u>	<u>2019</u>
	\$	\$
General Administrative Fund		
Interest income	88,243	79,498
Interest in net income of mutual funds	52,111	52,999
Net change in fair value	116,237	84,478
	<u>256,591</u>	<u>216,975</u>

The net investment income from the Oswald Magniac Endowment Fund totals \$43,771 for the year (\$33,948 in 2019). The total amount of this net investment income was used as contributions to projects.

5 - OTHER RECEIVABLES

	<u>2020</u>	<u>2019</u>
	\$	\$
Interest receivable	12,043	8,989
Indirect taxes	2,141	2,974
	<u>14,184</u>	<u>11,963</u>

The Leprosy Relief (Canada) Inc.

Notes to Financial Statements

December 31, 2020

6 - INVESTMENTS

	<u>2020</u>	<u>2019</u>
	\$	\$
General Administrative Fund		
Investments at amortized cost		
Guaranteed investment certificates, 1.4% to 3.4% (2.4% to 3.4% as at December 31, 2019), maturing at various dates until December 2025	712,000	492,166
Cash bearing interest	756,989	464,847
Investments at fair value		
Municipal bonds, 2.88% to 4.3% (2.88% to 4.3% as at December 31, 2019), maturing at various dates until December 2025	1,211,925	1,498,977
Provincial bonds, 2.7% to 5.75% (2.7% to 5.75% as at December 31, 2019), maturing at various dates until March 2050	246,781	222,166
Canadian corporate bonds, 1.75% to 6.93% (1.83% to 6.93% as at December 31, 2019), maturing at various dates until August 2042	220,850	136,746
Mutual funds – Bonds	1,199,752	1,039,181
	<u>4,348,297</u>	<u>3,854,083</u>
Oswald Magniac Endowment Fund		
Investments at amortized cost		
Cash bearing interest	86,184	
Guaranteed investment certificates, 1.5% to 3.2% (3.2% as at December 31, 2019), maturing at various dates until September 2025	118,000	75,000
Investments at fair value		
Municipal bonds, 2.95% to 4.25% (2.95% to 4.25% as at December 31, 2019), maturing at various dates until March 2027	660,511	768,676
	<u>864,695</u>	<u>843,676</u>
	<u>5,212,992</u>	<u>4,697,759</u>

7 - EQUIPMENT

	<u>2020</u>		<u>2019</u>
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Furniture and fixtures	12,063	12,063	
Computer equipment	18,753	18,753	326
	<u>30,816</u>	<u>30,816</u>	<u>326</u>

The Leprosy Relief (Canada) Inc.

Notes to Financial Statements

December 31, 2020

8 - TRADE PAYABLES AND OTHER OPERATING LIABILITIES

	<u>2020</u>	<u>2019</u>
	\$	\$
Accounts payable and accrued liabilities	20,998	22,135
Fringe benefits payable – Government remittances	7,052	8,997
	<u>28,050</u>	<u>31,132</u>

9 - LONG-TERM DEBT

	<u>2020</u>	<u>2019</u>
	\$	\$
Loan, secured by the Government of Canada, non-interest bearing until December 31, 2022	<u>30,000</u>	<u> </u>

The Organization received a \$40,000 loan under the Canada Emergency Business Account program. If the Company repays \$30,000 of the loan by December 31, 2022, no other amount will be payable. Otherwise, the loan balance will bear interest at 5% and may either be repaid in 36 monthly instalments of capital and interest or repaid on maturity on December 31, 2025.

Since \$10,000 of the government assistance is forgivable if the Organization repays \$30,000 by December 31, 2022, the amount was recognized in earnings at the time the government assistance was granted.

10 - DEFERRED CONTRIBUTIONS

	<u>2020</u>	<u>2019</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 charitable gift annuities at a weighted average rate of 3.6% (3.6% as at December 31, 2019) until the death of the donor.

11 - 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 funds 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.

The Leprosy Relief (Canada) Inc.

Notes to Financial Statements

December 31, 2020

11 - FINANCIAL RISKS (Continued)

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 funds indirectly expose the Organization to interest rate risk.

Other price risk

The Organization is exposed to other price risk due to mutual funds 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.

12 - COMMITMENT

The Organization has entered into a long-term lease agreement expiring on April 30, 2023 which calls for lease payments of \$39,642 for the rental of an office space. Minimum lease payments for the next years are \$18,218 in 2021, \$14,664 in 2022 and \$6,760 in 2023.

The Leprosy Relief (Canada) Inc.

Schedules

Year ended December 31, 2020

	SCHEDULE A	
	<u>2020</u>	<u>2019</u>
	\$	\$
<i>FINANCING CAMPAIGNS</i>		
Salaries and fringe benefits	31,456	31,093
Postage	21,041	27,706
Printing	7,365	11,507
Envelopes	2,095	11,389
Preparation of mailings	3,321	4,250
Promotion	1,710	1,410
	<u>66,988</u>	<u>87,355</u>
	SCHEDULE B	
	<u>2020</u>	<u>2019</u>
	\$	\$
<i>SERVICES TO DONORS</i>		
Salaries and fringe benefits	57,334	58,228
Receipts, envelopes and stamps	8,546	8,131
Data processing	8,355	4,515
	<u>74,235</u>	<u>70,874</u>
	SCHEDULE C	
	<u>2020</u>	<u>2019</u>
	\$	\$
<i>ADMINISTRATION</i>		
Salaries and fringe benefits	44,968	45,669
Professional fees	21,999	23,196
Lease	14,540	16,627
Office expenses	8,535	8,429
Telephone	3,958	3,979
Insurance	983	934
	<u>94,983</u>	<u>98,834</u>

The Leprosy Relief (Canada) Inc.

Additional Information – Project Contributions

Year ended December 31, 2020

(Unaudited)

	<u>2020</u>	<u>2019</u>
	\$	\$
AFRICA		
Chad	23,826	22,311
Congo	49,844	48,051
Guinea-Bissau	23,594	22,541
Madagascar	47,653	49,755
Mozambique	78,648	67,624
Senegal	70,779	67,573
	<u>294,344</u>	<u>277,855</u>
AMERICA		
Dominican Republic	145,128	156,496
Nicaragua	39,707	41,304
Peru	23,000	22,000
	<u>207,835</u>	<u>219,800</u>
ASIA		
Bangladesh	65,419	63,067
India	213,224	209,675
Philippines		33,849
Sri Lanka	66,585	60,966
	<u>345,228</u>	<u>367,557</u>
OTHER		
ILEP research	101,505	60,773
Project management	64,646	61,775
Education	10,601	13,326
International cooperation	94,147	93,928
IDEA Project	33,835	33,989
	<u>304,734</u>	<u>263,791</u>
	<u><u>1,152,141</u></u>	<u><u>1,129,003</u></u>