



Financial Statements

Dalhousie Medical Research Foundation

March 31, 2016

DRAFT

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Independent auditor's report

To the directors of the
Dalhousie Medical Research Foundation

We have audited the accompanying financial statements of Dalhousie Medical Research Foundation (the "Foundation"), which comprise the statement of financial position as at March 31, 2016 and the statements of operations and changes in fund balances, and cash flows for the year then ended and 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.

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.

Auditor's responsibility

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers internal control relevant to the Foundation'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 Foundation'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 qualified audit opinion.

Basis for qualified opinion

In common with many non-profit organizations, the Foundation derives revenue from donations from the public, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenses, and cash flows from operations for the years ended March 31, 2016 and 2015, assets as at March 31, 2016 and 2015, and fund balances as at April 1 and March 31 for both the 2016 and 2015 years. Our audit opinion for the year ended March 31, 2015 was modified accordingly because of the possible effects of this limitation in scope.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial positions of the Foundation as at March 31, 2016 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.

Halifax, Canada
Date

Chartered Accountants

Dalhousie Medical Research Foundation

Statement of financial position

March 31

2016

2015

	General fund	Restricted fund	Endowment fund	Total	Total
Assets					
Current					
Cash and cash equivalents	\$ 335,418	\$ -	\$ -	\$ 335,418	\$ 244,452
Prepays	4,615	-	-	4,615	4,450
Other assets	21,850	-	-	21,850	21,850
Receivables					
Accrued investment income	143	94,049	-	94,192	102,631
HST receivable	35,390	-	-	35,390	24,481
Receivable from Dalhousie University	<u>66,590</u>	<u>-</u>	<u>-</u>	<u>66,590</u>	<u>19,280</u>
	464,006	94,049	-	558,055	417,144
Investments, at market value (Note 3)	113,702	5,458,215	69,110,510	74,682,427	76,667,526
Capital assets (Note 4)	74,863	-	-	74,863	96,523
Interfund	<u>(492,375)</u>	<u>105,060</u>	<u>387,315</u>	<u>-</u>	<u>-</u>
	<u>\$ 160,196</u>	<u>\$ 5,657,324</u>	<u>\$ 69,497,825</u>	<u>\$ 75,315,345</u>	<u>\$ 77,181,193</u>

Liabilities and fund balances

Liabilities

Current

Payables and accruals	\$ 45,857	\$ 168,520	\$ -	\$ 214,377	\$ 126,801
Fund balances	<u>114,339</u>	<u>5,488,804</u>	<u>69,497,825</u>	<u>75,100,968</u>	<u>77,054,392</u>
	<u>\$ 160,196</u>	<u>\$ 5,657,324</u>	<u>\$ 69,497,825</u>	<u>\$ 75,315,345</u>	<u>\$ 77,181,193</u>

On behalf of the Board

Director

Director

See accompanying notes to the financial statements.

Dalhousie Medical Research Foundation

Statement of operations and changes in fund balances

Year ended March 31

2016

2015

	General fund	Restricted fund	Endowment fund	Total	Total
Revenue					
Investment income (Note 5)	\$ (585,216)	\$ 107,033	\$ (1,556,425)	\$ (2,034,608)	\$ 7,336,999
Donations (Note 2)	<u>1,303,158</u>	<u>1,583,606</u>	<u>1,521,417</u>	<u>4,408,181</u>	<u>4,303,556</u>
	<u>717,942</u>	<u>1,690,639</u>	<u>(35,008)</u>	<u>2,373,573</u>	<u>11,640,555</u>
Expenses					
Research activities					
Equipment grants	133,647	59,478	-	193,125	184,861
Studentships	-	165,000	-	165,000	121,667
Graduate studentships	-	5,000	-	5,000	25,000
Prizes and awards	12,000	24,500	-	36,500	24,450
Research grants	552,750	1,326,330	-	1,879,080	1,874,504
Beatrice Hunter Cancer Research Institute	-	796,518	-	796,518	709,736
	<u>698,397</u>	<u>2,376,826</u>	<u>-</u>	<u>3,075,223</u>	<u>2,940,218</u>
General operating	270,339	240,424	-	510,763	393,764
Fundraising	741,011	-	-	741,011	657,575
	<u>1,011,350</u>	<u>240,424</u>	<u>-</u>	<u>1,251,774</u>	<u>1,051,339</u>
	<u>1,709,747</u>	<u>2,617,250</u>	<u>-</u>	<u>4,326,997</u>	<u>3,991,557</u>
(Deficiency) excess of revenue over expenses	(991,805)	(926,611)	(35,008)	(1,953,424)	7,648,998
Fund balances, beginning of year	128,819	4,906,857	72,018,716	77,054,392	69,405,394
Interfund transfers (Note 6)	<u>977,325</u>	<u>1,508,558</u>	<u>(2,485,883)</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	\$ <u>114,339</u>	\$ <u>5,488,804</u>	\$ <u>69,497,825</u>	\$ <u>75,100,968</u>	\$ <u>77,054,392</u>

See accompanying notes to the financial statements.

Dalhousie Medical Research Foundation

Statement of cash flows

Year ended March 31

2016

2015

Increase (decrease) in cash and cash equivalents

Operating

(Deficiency) excess of revenues over expenses	\$ (1,953,424)	\$ 7,648,998
Unrealized loss (gain) on investments	7,229,147	(2,970,231)
Realized gain on disposal of investments	(2,543,596)	(2,133,643)
Depreciation	21,660	22,115
In-kind donations	<u>(658,192)</u>	<u>(1,626,517)</u>
	2,095,595	940,722
Change in non-cash working capital (Note 9)	<u>84,941</u>	<u>88,028</u>
	<u>2,180,536</u>	<u>1,028,750</u>

Investing

Purchase of investments, net	(2,042,260)	(1,091,470)
Purchase of capital assets	-	(1,599)
	<u>(2,042,260)</u>	<u>(1,093,069)</u>

Financing

Payments (to) from Dalhousie University	<u>(47,310)</u>	<u>124,904</u>
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Net increase in cash and cash equivalents

90,966 60,585

Cash and cash equivalents

Beginning of year 244,452 183,867

End of year \$ 335,418 \$ 244,452

See accompanying notes to the financial statements.

Dalhousie Medical Research Foundation

Notes to the financial statements

March 31, 2016

1. Purpose of the Foundation

Dalhousie Medical Research Foundation (the "Foundation") is incorporated under the provisions of the Revised Statutes of Nova Scotia, 1967, the Societies Act. The Foundation provides financial support for research activities in the Faculty of Medicine at Dalhousie University and affiliated teaching institutions.

2. Summary of significant accounting policies

Basis of presentation

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). The significant accounting policies are as follows:

Financial instruments

Initial measurement

Financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Subsequent measurement

At each reporting date, the Foundation measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for investments, which must be measured at fair value. The Foundation uses the effective interest rate method to amortize any premiums, discounts, transaction fees and financing fees to the statement of operations. The financial instruments measured at amortized cost are cash and cash equivalents, receivables and payables and accruals.

For financial assets measured at cost or amortized cost, the Foundation regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Foundation determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

Capital assets

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Software	3 years
Computer equipment	3 years
Leasehold improvements	7 years
Furniture	10 years

Dalhousie Medical Research Foundation

Notes to the financial statements

March 31, 2016

2. Summary of significant accounting policies (continued)

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions, which include donations, bequests and proceeds from special events.

The *General Fund* accounts for unrestricted contributions.

The *Restricted Fund* accounts for contributions that have been restricted by a donor for specific research activities and/or area of research. It is the Board's policy to maintain and grow the capital of these funds indefinitely unless otherwise indicated by the donor.

The *Endowment Fund* accounts for contributions whereby the capital is to be maintained permanently either by donor restrictions and/or Board of Directors appropriation.

Revenue recognition

Unrestricted donations, including bequests, are recognized as revenue of the General Fund when received. Those donations, restricted internally by the Foundation for a specific purpose, are transferred to the Restricted Fund.

Restricted donations, including specific bequests designated for specific purposes and/or area of research, are recognized as revenue of the Restricted Fund when received.

Contributions whereby the donor has directed that the capital resource be maintained permanently are recognized as revenue of the Endowment Fund.

Investment income earned on Endowment Fund resources, restricted for a specified purpose, is recognized as revenue of the Restricted Fund and transferred after expenses to the Endowment Fund. Investment income earned on the General Endowment Fund resources is recognized as revenue of the General Fund and transferred after expenses to the Endowment Fund. Where income earned on endowed resources is specifically designated by the donor to return to the principal balance, amounts are shown as revenue in the Endowment Fund.

Restrictions on fund balances

The Foundation has established a resource management policy that stipulates that the economic value of fund balances must be protected by limiting the amount of investment income that may be expended each year on research programs.

To meet the foregoing requirement, the Foundation has established and maintains the following practices:

- research expenditures from any given fund are limited to 5% of the principal balance of that fund at the end of the preceding year;
- if income earned is more than the amount spent, the excess of income will be capitalized to the principal balances; and
- in no case, will the balance in any fund fall below the original contributed amount.

Fund allocations

The Foundation has established a policy of funding operating expenditures through investment income. The net amount of investment income is then allocated proportionately to all funds based on the fund balance of the preceding year, unless specifically attributable to a particular fund.

Dalhousie Medical Research Foundation

Notes to the financial statements

March 31, 2016

2. Summary of significant accounting policies (continued)

Public foundation

As outlined in section 149(1) of the Income Tax Act, the Foundation must spend a minimum of 3.5% of the value of all its property not used directly in charitable activities or administration.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, net of bank indebtedness, and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Donated goods and services

Various organizations donate goods and services to assist the Foundation in carrying out its activities. These contributions have not been reflected in the financial statements.

Contributed services

A number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements unless measurable market value information is readily available.

Investments

Investments are carried at quoted market value. Gains or losses on sales of investments are recognized as investment income in the year of disposal.

Use of estimates

In preparation of the financial statements in conformity with Canadian generally accepted accounting principles, the Foundation's management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

Income taxes

The Foundation is a not-for-profit organization and, as such, is exempt from income tax.

3. Investments

	Treasury Bills	Stocks	Bonds	Cash	CSV of life insurance	Total
March 31, 2016						
Book value	\$ 375,966	\$49,258,571	\$15,330,322	\$ 2,583,120	\$ 51,594	\$ <u>67,599,573</u>
Market value	\$ 375,966	\$56,154,555	\$15,517,192	\$ 2,583,120	\$ 51,594	\$ <u>74,682,427</u>
March 31, 2015						
Book value	\$ 774,041	\$45,672,226	\$15,534,648	\$ 314,545	\$ 32,848	\$ <u>62,328,308</u>
Market value	\$ 774,041	\$59,508,343	\$16,037,749	\$ 314,545	\$ 32,848	\$ <u>76,667,526</u>

Dalhousie Medical Research Foundation

Notes to the financial statements

March 31, 2016

4. Capital assets

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>March 31 2016 total</u>	<u>2015</u>
Leaseholds	\$ 128,913	\$ 71,341	\$ 57,572	\$ 76,762
Computer equipment	6,378	6,378	-	-
Furniture	24,701	7,410	17,291	19,761
Software	<u>12,109</u>	<u>12,109</u>	<u>-</u>	<u>-</u>
	<u>\$ 172,101</u>	<u>\$ 97,238</u>	<u>\$ 74,863</u>	<u>\$ 96,523</u>

5. Investment income (loss)

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 2,713,463	\$ 2,233,125
Realized gain on disposal of investments	2,543,596	2,133,643
Unrealized (loss) gain on investments	(7,229,147)	2,970,231
Unrealized loss on foreign exchange contract	<u>(62,520)</u>	<u>-</u>
	<u>\$ (2,034,608)</u>	<u>\$ 7,336,999</u>

6. Interfund transfers

2016

	<u>General fund</u>	<u>Restricted fund</u>	<u>Endowment fund</u>
Donations	\$ (960,131)	\$ -	\$ 960,131
Unexpended investment income	926,106	-	(926,106)
Unexpended endowed income	-	1,307,055	(1,307,055)
Other transfers	<u>1,011,350</u>	<u>201,503</u>	<u>(1,212,853)</u>
	<u>\$ 977,325</u>	<u>\$ 1,508,558</u>	<u>\$ (2,485,883)</u>

2015

	<u>General fund</u>	<u>Restricted fund</u>	<u>Endowment fund</u>
Donations	\$ (197,917)	\$ -	\$ 197,917
Unexpended investment income	(2,716,698)	-	2,716,698
Unexpended endowed income	-	(1,356,233)	1,356,233
Other transfers	<u>877,616</u>	<u>(102,504)</u>	<u>(775,112)</u>
	<u>\$ (2,036,999)</u>	<u>\$ (1,458,737)</u>	<u>\$ 3,495,736</u>

Dalhousie Medical Research Foundation

Notes to the financial statements

March 31, 2016

7. Financial instruments

The Foundation's financial instruments consist of cash and cash equivalents, receivables, investments, payables and accruals, and payable to Dalhousie University. Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Investments held by the Foundation are subject to foreign currency, interest rate, market and credit risk. Investments held are managed by professional investment managers in accordance with the Foundation's Investment Policy developed and monitored by the Investment Committee.

The Foundation uses forward foreign exchange contracts to manage its U.S. foreign exchange rate exposure. The Foundation does not enter into derivative financial instruments for trading or speculative purposes. These contracts have not been recorded in these financial statements.

The mark to market net loss on these contracts of \$62,520 has been included in investment income for the year with a corresponding adjustment recorded on the balance sheet resulting in an amount of \$62,520 included in payables and accruals.

The following provides the details of the forward foreign exchange contract outstanding as at March 31, 2016:

<u>Notional Principal</u>	<u>Original Term</u>	<u>Maturity Date</u>	<u>Mark to Market Loss</u>
\$8,990,100	18 months	September 22, 2017	\$62,520

The Foundation did not have any forward foreign exchange contracts outstanding at the prior year end date of March 31, 2015.

8. Capital risk management

The Foundation's capital is comprised of General, Restricted and Endowment Fund balances. The Foundation's objectives when managing capital are to ensure that funds received are appropriately allocated based upon their intended purpose and that cash and investments are managed to ensure the financial obligations and objectives of the respective Funds are met.

9. Statement of cash flows

The net change in non-cash working capital accounts related to operations represent the following:

	<u>2016</u>	<u>2015</u>
Decrease (increase) in		
Prepays	\$ (165)	\$ 1,789
Other receivables	-	19,910
Accrued investment income receivable	8,439	24,499
HST receivable	(10,909)	29,538
Payables and accruals	<u>87,576</u>	<u>12,292</u>
	<u>\$ 84,941</u>	<u>\$ 88,028</u>