



Financial Statements

Dalhousie Medical Research Foundation

March 31, 2020

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Independent Auditor's Report

To the Board of Directors of
Dalhousie Medical Research Foundation

Grant Thornton LLP
Nova Centre, North Tower
Suite 1000, 1675 Grafton Street
Halifax, NS
B3J 0E9

T +1 902 421 1734
F +1 902 420 1068
www.GrantThornton.ca

Opinion

We have audited the financial statements of Dalhousie Medical Research Foundation (the "Foundation"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Dalhousie Medical Research Foundation as at March 31, 2020, 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.

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 Foundation 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 Statement

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.

In preparing the financial statements, management is responsible for assessing the Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation'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 Foundation'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 Foundation'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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Halifax, Canada
June 24, 2020

Chartered Professional Accountants

Dalhousie Medical Research Foundation

Statement of financial position

March 31

2020

2019

	<u>General fund</u>	<u>Restricted fund</u>	<u>Endowment fund</u>	<u>Total</u>	<u>Total</u>
Assets					
Current					
Cash and cash equivalents	\$ 561,974	\$ -	\$ -	\$ 561,974	\$ 327,744
Prepays	17,898	-	-	17,898	36,761
Other assets	21,050	-	-	21,050	21,050
Receivables					
Accrued investment income	2,313	111,322	-	113,635	116,838
Harmonized sales taxes	59,619	-	-	59,619	57,070
Receivable from Dalhousie University	-	-	-	-	23,052
	<u>662,854</u>	<u>111,322</u>	<u>-</u>	<u>774,176</u>	<u>582,515</u>
Investments, at market value (Note 3)	1,606,089	7,360,109	69,933,238	78,899,436	87,567,709
Capital assets (Note 4)	112,663	-	-	112,663	128,576
Interfund	<u>(553,239)</u>	<u>1,018,141</u>	<u>(464,902)</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,828,367</u>	<u>\$ 8,489,572</u>	<u>\$ 69,468,336</u>	<u>\$ 79,786,275</u>	<u>\$ 88,278,800</u>

Liabilities and fund balances

Liabilities

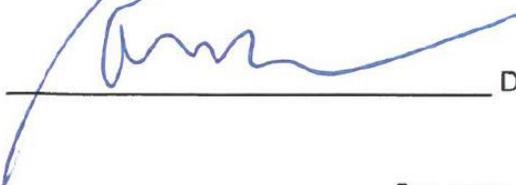
Current

Payables and accruals (Note 7)	\$ 111,442	\$ 1,178,392	\$ -	\$ 1,289,834	\$ 653,479
Payable to Dalhousie University	118,213	-	-	118,213	-
Unearned revenue	3,300	-	-	3,300	8,265
Fund balances	<u>1,595,412</u>	<u>7,311,180</u>	<u>69,468,336</u>	<u>78,374,928</u>	<u>87,617,056</u>
	<u>\$ 1,828,367</u>	<u>\$ 8,489,572</u>	<u>\$ 69,468,336</u>	<u>\$ 79,786,275</u>	<u>\$ 88,278,800</u>

Commitments (Note 10)

Subsequent events (Note 11)

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

2020

2019

	General fund	Restricted fund	Endowment fund	Total	Total
Revenue					
Investment (loss) income (Note 5)	\$ (2,415,646)	\$ (1,856,648)	\$ (1,401,693)	\$ (5,673,987)	\$ 4,632,717
Donations (Note 2)	<u>1,542,645</u>	<u>2,529,481</u>	<u>155,049</u>	<u>4,227,175</u>	<u>3,436,144</u>
	<u>(873,001)</u>	<u>672,833</u>	<u>(1,246,644)</u>	<u>(1,446,812)</u>	<u>8,068,861</u>
Expenses					
Research activities					
Equipment grants	93,909	58,231	-	152,140	178,495
Studentships	15,000	210,000	-	225,000	225,000
Graduate studentships	10,000	130,000	-	140,000	70,000
Fellowships	57,500	105,000	-	162,500	133,900
Prizes and awards	24,533	34,197	-	58,730	41,352
Research grants	1,701,220	2,524,612	-	4,225,832	4,051,081
Beatrice Hunter Cancer Research Institute	<u>-</u>	<u>634,289</u>	<u>-</u>	<u>634,289</u>	<u>468,863</u>
	<u>1,902,162</u>	<u>3,696,329</u>	<u>-</u>	<u>5,598,491</u>	<u>5,168,691</u>
General operating	502,884	496,487	-	999,371	752,411
Fundraising	<u>1,177,554</u>	<u>19,900</u>	<u>-</u>	<u>1,197,454</u>	<u>1,164,980</u>
	<u>1,680,438</u>	<u>516,387</u>	<u>-</u>	<u>2,196,825</u>	<u>1,917,391</u>
	<u>3,582,600</u>	<u>4,212,716</u>	<u>-</u>	<u>7,795,316</u>	<u>7,086,082</u>
(Deficiency) excess of revenue over expenses	(4,455,601)	(3,539,883)	(1,246,644)	(9,242,128)	982,779
Fund balances, beginning of year	1,046,546	7,420,027	79,150,483	87,617,056	86,634,277
Interfund transfers (Note 6)	<u>5,004,467</u>	<u>3,431,036</u>	<u>(8,435,503)</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	\$ <u>1,595,412</u>	\$ <u>7,311,180</u>	\$ <u>69,468,336</u>	\$ <u>78,374,928</u>	\$ <u>87,617,056</u>

See accompanying notes to the financial statements.

Dalhousie Medical Research Foundation

Statement of cash flows

Year ended March 31

2020

2019

Increase (decrease) in cash and cash equivalents

Operating

(Deficiency) excess of revenue over expenses	\$ (9,242,128)	\$ 982,779
Unrealized loss on investments	8,651,511	1,068,508
Unrealized loss on foreign exchange contract	559,431	427,961
Realized gain on disposal of investments	(966,622)	(3,580,602)
Amortization	15,913	15,279
In-kind investment donations	<u>(422,738)</u>	<u>(621,706)</u>
	(1,404,633)	(1,707,781)

Change in non-cash working capital (Note 9)	<u>91,476</u>	<u>(54,052)</u>
	(1,313,157)	(1,761,833)

Investing

Purchase of investments, net of proceeds on disposals	1,406,122	1,744,509
Purchase of capital assets	<u>-</u>	<u>(6,339)</u>
	1,406,122	1,738,170

Financing

Advances from (payments to) Dalhousie University, net	<u>141,265</u>	<u>(7,229)</u>
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Net decrease in cash and cash equivalents **234,230** (30,892)

Cash and cash equivalents

Beginning of year	<u>327,744</u>	<u>358,636</u>
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End of year	<u>\$ 561,974</u>	<u>\$ 327,744</u>
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See accompanying notes to the financial statements.

Dalhousie Medical Research Foundation

Notes to the financial statements

March 31, 2020

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 Faculties of Medicine, Health and Dentistry 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 initially recorded at cost and subsequently at cost less accumulated amortization and amortized on a straight-line basis over their estimated useful lives as follows:

Furniture	10 years
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Dalhousie Medical Research Foundation

Notes to the financial statements

March 31, 2020

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. In such instances where Endowment Fund resources, Restricted or General, incur unrealized investment losses, aggregate equity in the Endowment Fund from previous year transfers are then transferred to the General Fund and Restricted Fund in the amount of the unrealized losses and any related expenses incurred. 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 investment management fees and 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, 2020

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. Realized 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. These estimates are reviewed periodically and adjustments are made to excess of revenue over expenses as appropriate in the year they become known. Items subject to significant management estimate are fair value of investments and useful lives of capital assets. 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.

Dalhousie Medical Research Foundation

Notes to the financial statements

March 31, 2020

3. Investments

	Treasury bills	Stocks	Bonds	Cash	Insurance	Total
March 31, 2020						
Book value	\$ 2,947,104	\$ 40,991,909	\$ 30,543,879	\$ 1,852,051	\$ 37,895	\$ <u>76,372,838</u>
Market value	\$ 2,947,104	\$ 43,057,821	\$ 31,004,565	\$ 1,852,051	\$ 37,895	\$ <u>78,899,436</u>
March 31, 2019						
Book value	\$ 1,040,738	\$ 42,352,437	\$ 32,674,102	\$ 284,449	\$ 37,895	\$ <u>76,389,621</u>
Market value	\$ 1,040,738	\$ 52,975,084	\$ 33,229,543	\$ 284,449	\$ 37,895	\$ <u>87,567,709</u>

4. Capital assets

	Cost	Accumulated Depreciation	<u>2020</u> Net Book Value	<u>2019</u> Net Book Value
Furniture	\$ 159,135	\$ 46,472	\$ <u>112,663</u>	\$ <u>128,576</u>

5. Investment (loss) income

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 2,570,333	\$ 2,548,584
Realized gain on disposal of investments	966,622	3,580,602
Unrealized loss on investments	(8,651,511)	(1,068,508)
Unrealized loss on foreign exchange contract	<u>(559,431)</u>	<u>(427,961)</u>
	\$ <u>(5,673,987)</u>	\$ <u>4,632,717</u>

6. Interfund transfers

<u>2020</u>	General Fund	Restricted Fund	Endowment Fund
Donations	\$ (10,063)	\$ -	\$ 10,063
Investment loss incurred	3,406,057	-	(3,406,057)
Endowed loss incurred	-	3,010,318	(3,010,318)
Other transfers	<u>1,608,473</u>	<u>420,718</u>	<u>(2,029,191)</u>
	\$ <u>5,004,467</u>	\$ <u>3,431,036</u>	\$ <u>(8,435,503)</u>

Dalhousie Medical Research Foundation

Notes to the financial statements

March 31, 2020

6. Interfund transfers (continued)

<u>2019</u>	<u>General fund</u>	<u>Restricted fund</u>	<u>Endowment fund</u>
Donations	\$ (21,295)	\$ -	\$ 21,295
Unexpended investment income	(1,845,255)	-	1,845,255
Unexpended endowed income	-	(727,902)	727,902
Other transfers	<u>908,408</u>	<u>1,519,235</u>	<u>(2,427,643)</u>
	\$ <u>(958,142)</u>	\$ <u>791,333</u>	\$ <u>166,809</u>

7. Financial instruments

The Foundation's financial instruments consist of cash and cash equivalents, receivables, investments, payables and accruals, and receivable from 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. There has been no significant change in exposure to these risks in the current year.

The Foundation uses forward foreign exchange contracts to mitigate 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 \$559,431 (2019 – \$427,961) has been included in investment income for the year with a corresponding adjustment recorded on the statement of financial position resulting in an amount of \$1,058,391 (2019 - \$498,960) included in payables and accruals.

The following provides the details of the forward foreign exchange contract outstanding as at March 31, 2020:

<u>Notional principal</u>	<u>Original term</u>	<u>Maturity date</u>	<u>Mark to market loss</u>
\$8,200,000	12 months	March 23, 2020	\$559,431

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. Supplemental cash flow information

2020 2019

Change in non-cash operating working capital

Dalhousie Medical Research Foundation

Notes to the financial statements

March 31, 2020

Prepays	\$ 18,863	\$ (6,584)
9. Supplemental cash flow information (continued)	<u>2020</u>	<u>2019</u>
Accrued investment income receivable	3,203	10,118
Harmonized sales taxes receivable	(2,549)	(16,756)
Payables and accruals	76,924	(49,095)
Unearned revenue	<u>(4,965)</u>	<u>8,265</u>
	<u>\$ 91,476</u>	<u>\$ (54,052)</u>

10. Commitments

The Foundation has entered into an agreement to lease premises until August 31, 2023. Minimum lease payments for each of the next five years are as follows:

2021	\$ 125,585
2022	127,373
2023	53,072
2024	-
2025	-

11. Subsequent events

Subsequent to year end, the spread of COVID-19 has continued to severely impact many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Foundation has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended March 31, 2020 do reflect the impact on investments, as these are recorded at fair market value. However, the duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their continued impact on the financial position and results of the Foundation for future periods, and therefore no further adjustments have been made to the March 31, 2020 period.

The market value of Stocks held within the investment portfolio as at June 24, 2020, the audit report date, was \$54,339,990, an increase of \$11,282,169 over the market value of the stocks as at March 31, 2020 shown in note 3.