



Financial Statements

Dalhousie Medical Research Foundation

March 31, 2021

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Independent auditor's report

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To the Board of Directors of
Dalhousie Medical Research Foundation

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, 2021, 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, 2021, 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 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.

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 Foundation 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.

Grant Thornton LLP

Halifax, Canada
June 23, 2021

Chartered Professional Accountants

Dalhousie Medical Research Foundation

Statement of financial position

As at March 31

2021

2020

	General fund	Restricted fund	Endowment fund	Total	Total
Assets					
Current					
Cash and cash equivalents	\$ 1,003,663	\$ -	\$ -	\$ 1,003,663	\$ 561,974
Prepaid expense	37,693	-	-	37,693	17,898
Other assets	21,050	-	-	21,050	21,050
Receivables					
Accrued investment income	-	-	-	-	113,635
Federal government (Note 7)	154,629	-	-	154,629	59,619
Receivable from Dalhousie University	233,985	-	-	233,985	-
	1,451,020	-	-	1,451,020	744,176
Investments, at market value (Note 3)	2,427,240	7,879,389	76,545,155	86,851,784	78,899,436
Capital assets (Note 4)	100,166	-	-	100,166	112,663
Interfund	(1,421,253)	362,027	1,059,226	-	-
	1,106,153	8,241,416	77,604,381	86,951,950	79,012,099
	\$ 2,557,173	\$ 8,241,416	\$ 77,604,381	\$ 88,402,970	\$ 79,786,275

Liabilities and fund balances

Liabilities

Current

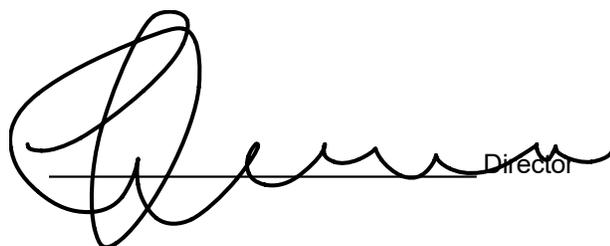
Payables and accruals (Note 8)	\$ 91,481	\$ -	\$ -	\$ 91,481	\$ 1,289,834
Payable to Dalhousie University	-	-	-	-	118,213
Unearned revenue	3,300	-	-	3,300	3,300
Fund balances	2,462,392	8,241,416	77,604,381	88,308,189	78,374,928
	\$ 2,557,173	\$ 8,241,416	\$ 77,604,381	\$ 88,402,970	\$ 79,786,275

Commitments (Note 10)

Impact of COVID-19 (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

2021

2020

	General fund	Restricted fund	Endowment fund	Total	Total
Revenue					
Investment income (loss) (Note 5)	\$ 4,900,181	\$ 5,253,537	\$ 2,292,192	\$ 12,445,910	\$(5,673,987)
Donations (Note 2)	2,033,617	3,442,751	107,689	5,584,057	4,227,175
Government assistance (Note 11)	348,438	-	-	348,438	-
	7,282,236	8,696,288	2,399,881	18,378,405	(1,446,812)
Expense					
Research activities					
Equipment grants	180,808	-	-	180,808	152,140
Studentships	40,000	263,319	-	303,319	225,000
Graduate studentships	110,000	345,000	-	455,000	140,000
Fellowships	107,500	105,000	-	212,500	162,500
Prizes and awards	-	41,882	-	41,882	58,730
Research grants	1,493,706	2,934,938	-	4,428,644	4,225,832
Beatrice Hunter Cancer Research Institute	-	580,168	-	580,168	634,289
	1,932,014	4,270,307	-	6,202,321	5,598,491
General operating	772,527	140,714	-	913,241	999,371
Fundraising	514,401	815,181	-	1,329,582	1,197,454
	1,286,928	955,895	-	2,242,823	2,196,825
	3,218,942	5,226,202	-	8,445,144	7,795,316
Excess (deficiency) of revenue over expenses	4,063,294	3,470,086	2,399,881	9,933,261	(9,242,128)
Fund balances, beginning of year	1,595,412	7,311,180	69,468,336	78,374,928	87,617,056
Interfund transfers (Note 6)	(3,196,314)	(2,539,850)	5,736,164	-	-
Fund balances, end of year	\$ 2,462,392	\$ 8,241,416	\$77,604,381	\$ 88,308,189	\$ 78,374,928

See accompanying notes to the financial statements.

Dalhousie Medical Research Foundation

Statement of cash flows

Year ended March 31

2021

2020

Increase (decrease) in cash and cash equivalents

Operating

Excess (deficiency) of revenue over expenses	\$ 9,933,261	\$ (9,242,128)
Unrealized (gain) loss on investment	(1,861,444)	8,651,511
Unrealized loss on foreign exchange contract	-	559,431
Realized gain on foreign exchange contract	(514,301)	-
Realized gain on disposal of investments	(8,395,279)	(966,622)
Amortization	15,913	15,913
In-kind investment donations	<u>(648,126)</u>	<u>(422,738)</u>
	<u>(1,469,976)</u>	<u>(1,404,633)</u>

Change in non-cash working capital (Note 9)

<u>(141,132)</u>	<u>91,476</u>
<u>(1,611,108)</u>	<u>(1,313,157)</u>

Investing

Proceeds from disposal of investments, net of purchases	2,952,501	1,406,122
Purchase of capital assets	(3,416)	-
Settlement of forward contract	<u>(544,090)</u>	<u>-</u>
	<u>2,404,995</u>	<u>1,406,122</u>

Financing

Advances (to) from Dalhousie University, net	<u>(352,198)</u>	<u>141,265</u>
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Net increase in cash and cash equivalents

441,689	234,230
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Cash and cash equivalents

Beginning of year	<u>561,974</u>	<u>327,744</u>
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End of year

<u>\$ 1,003,663</u>	<u>\$ 561,974</u>
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See accompanying notes to the financial statements.

Dalhousie Medical Research Foundation

Notes to the financial statements

March 31, 2021

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.

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 derivative financial instruments for trading or speculative purposes. These contracts have not been recorded in these financial statements.

Dalhousie Medical Research Foundation

Notes to the financial statements

March 31, 2021

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

The Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Foundation's risk exposure as at the date of the financial statements.

- i) **Credit risk**
The Foundation is exposed to credit risk in the event of non-performance by counterparties to financial instruments. The Foundation is not exposed to any significant credit risk.
- ii) **Liquidity risk**
Liquidity risk is the risk that the Foundation will not be able to pay financial liabilities as they come due. The majority of assets held by the Foundation are invested in securities that are traded in an active market and can be readily disposed of as liquidity needs arise.
- iii) **Market risk**
Market risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. For purposes of this disclosure, the Foundation segregates market risk into three categories: interest rate risk, currency risk, and other price risk.

Interest rate risk

Interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Foundation is not exposed to any significant interest rate risk.

Currency risk

The Foundation's functional currency is the Canadian dollar. Foreign currency risk arises from the Foundations investments that are denominated in a foreign currency. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in positive or negative effects on the fair value of investments.

Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, other than those occurring from interest rate risk or currency risk. Securities held for trading are carried at fair value and, as such, impact earnings as changes occur.

These risks are mitigated through the use of professional investment managers, and appropriate asset, sector, and geographical allocations in compliance with the Foundation's Investment Policy, which is reviewed annually by the Foundation's Investment Committee.

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
Information technology	5 years

Dalhousie Medical Research Foundation

Notes to the financial statements

March 31, 2021

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, 2021

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.

Government assistance

The Foundation recognizes government assistance as revenue in the statement of operations in the year the related expenses are incurred. When government assistance received relates to the acquisition of capital assets, the Foundation deducts the assistance from the cost of the related capital asset. When government assistance received is specified to relate to future expenses or future capital purchases, the Foundation defers the assistance and recognizes it in the statement of operations as the related expenses are incurred or against capital assets as capital purchases are made.

Dalhousie Medical Research Foundation

Notes to the financial statements

March 31, 2021

3. Investments

	Equity	Managed funds	Cash & cash equivalents	Fixed income	Insurance	Total
March 31, 2021						
Book value	\$ 49,463,349	\$ 15,349,846	\$ 12,257,342	\$ 7,938,681	\$ 37,895	\$ <u>85,047,113</u>
Market value	\$ 50,838,648	\$ 16,184,576	\$ 12,234,337	\$ 7,556,328	\$ 37,895	\$ <u>86,851,784</u>
March 31, 2020						
Book value	\$ 40,991,909	\$ -	\$ 1,852,051	\$ 33,490,983	\$ 37,895	\$ <u>76,372,838</u>
Market value	\$ 43,057,821	\$ -	\$ 1,852,051	\$ 33,951,669	\$ 37,895	\$ <u>78,899,436</u>

4. Capital assets

	Cost	Accumulated Depreciation	2021 Net Book Value	2020 Net Book Value
Furniture	\$ 159,135	\$ 62,386	\$ 96,749	\$ 112,663
Information technology	\$ 3,417	\$ -	\$ 3,417	\$ -
	\$ 162,552	\$ 62,386	\$ 100,166	\$ 112,663

5. Investment income (loss)

	2021	2020
Interest and dividends	\$ 1,674,886	\$ 2,570,333
Realized gain on disposal of investments	8,395,279	966,622
Unrealized gain (loss) on investments	1,861,444	(8,651,511)
Realized gain on foreign exchange contract	514,301	-
Unrealized loss on foreign exchange contract	-	(559,431)
	\$ <u>12,445,910</u>	\$ (5,673,987)

6. Interfund transfers

2021	General Fund	Restricted Fund	Endowment Fund
Donation income	\$ (6,525)	\$ -	\$ 6,525
Investment income	(4,128,279)	-	4,128,279
Endowment income	-	(3,355,031)	3,355,031
Other transfers	938,490	815,181	(1,753,671)
	\$ <u>(3,196,314)</u>	\$ <u>(2,539,850)</u>	\$ <u>5,736,164</u>

Dalhousie Medical Research Foundation

Notes to the financial statements

March 31, 2021

6. Interfund transfers (continued)

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

7. Federal government receivables

	2021	2020
Harmonized sales tax	\$ 41,932	\$ 59,619
Subsidy programs	112,697	-
	\$ 154,629	\$ 59,619

8. Financial instruments – forward contracts

The mark to market net gain (loss) on forward contracts of \$514,301 (2020 – \$(559,431)) 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 \$Nil (2020 - \$1,058,391) included in payables and accruals. The forward foreign exchange contract was settled during the year. There are no balances outstanding as at March 31, 2021.

9. Supplemental cash flow information

	2021	2020
Change in non-cash operating working capital		
Prepaid expense	\$ (19,795)	\$ 18,863
Accrued investment income receivable	113,635	3,203
Federal government receivable	(95,010)	(2,549)
Accounts payable and accruals	(139,962)	76,924
Unearned revenue	-	(4,965)
	\$ (141,132)	\$ 91,476

Dalhousie Medical Research Foundation

Notes to the financial statements

March 31, 2021

10. Commitments

The Foundation has entered into a number of multiple-year contracts for the delivery of its operating lease and other services. These contractual obligations will become liabilities in the future when the terms of the contracts are met. Estimated annual minimum lease payments and purchase commitments in each of the next five years are expected as follows:

2022	157,171
2023	68,440
2024	12,365
2025	-
2026	-

11. Impact of COVID-19

On March 11, 2020, the World Health Organization officially declared COVID-19 a pandemic, and since then, the spread of COVID-19 has severely impacted 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 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 impact on the Financial position and results of the Foundation for future periods.

To help mitigate the impacts of COVID-19, the Foundation has claimed the Canada Emergency Wage Subsidy ("CEWS") in the amount of \$324,476 and the Canada Emergency Rent Subsidy ("CERS") in the amount of \$23,962, for a total of \$348,438 of assistance received to be used to offset with daily operations. This amount has been recorded in the financial statements as government assistance revenue in the statement of operations.