



Financial Statements

Dalhousie Medical Research Foundation

March 31, 2019

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Independent Auditor's Report

To the Board of Directors of
Dalhousie Medical Research Foundation

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Qualified 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, 2019, 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, except for the possible effects on the corresponding figures of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly in all material respects, the financial position of Dalhousie Medical Research Foundation as at March 31, 2019, 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 Qualified Opinion

We were not able to complete audit procedures to satisfy ourselves concerning the completeness of donation revenues for the year ended March 31, 2018. 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 donation revenue or excess of revenues over expenses for the year ended March 31, 2018, current assets as at March 31, 2018 and fund balances as at April 1, 2017 and March 31, 2018. Our audit opinion on the financial statements for the year ended March 31, 2018 was modified accordingly. Our opinion on the current year's financial statements is also modified because of the possible effects of this matter on the comparability of the current period's figures and the corresponding figures.

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 qualified 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.

Grant Thornton LLP

Halifax, Canada
June 19, 2019

Chartered professional accountants
Licensed public accountants

Dalhousie Medical Research Foundation

Statement of financial position

March 31

2019

2018

	General fund	Restricted fund	Endowment fund	<u>Total</u>	<u>Total</u>
Assets					
Current					
Cash and cash equivalents	\$ 327,744	\$ -	\$ -	\$ 327,744	\$ 358,636
Prepays	36,761	-	-	36,761	30,177
Other assets	21,050	-	-	21,050	21,050
Receivables					
Accrued investment income	1,329	115,509	-	116,838	126,956
HST receivable	57,070	-	-	57,070	40,314
Receivable from Dalhousie University	<u>23,052</u>	<u>-</u>	<u>-</u>	<u>23,052</u>	<u>15,823</u>
	467,006	115,509	-	582,515	592,956
Investments, at market value (Note 3)	1,045,985	7,415,789	79,105,935	87,567,709	86,178,418
Capital assets (Note 4)	128,576	-	-	128,576	137,516
Interfund	<u>(562,773)</u>	<u>518,225</u>	<u>44,548</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,078,794</u>	<u>\$ 8,049,523</u>	<u>\$ 79,150,483</u>	<u>\$ 88,278,800</u>	<u>\$ 86,908,890</u>

Liabilities and fund balances

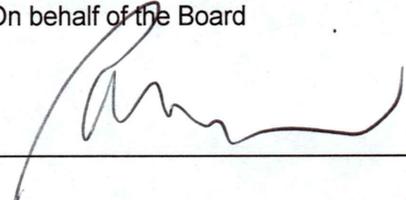
Liabilities

Current

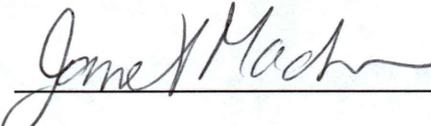
Payables and accruals	\$ 23,983	\$ 629,496	\$ -	\$ 653,479	\$ 274,613
Unearned revenue	8,265	-	-	8,265	-
Fund balances	<u>1,046,546</u>	<u>7,420,027</u>	<u>79,150,483</u>	<u>87,617,056</u>	<u>86,634,277</u>
	<u>\$ 1,078,794</u>	<u>\$ 8,049,523</u>	<u>\$ 79,150,483</u>	<u>\$ 88,278,800</u>	<u>\$ 86,908,890</u>

Commitments (Note 10)

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

2019

2018

	General fund	Restricted fund	Endowment fund	Total	Total
Revenue					
Investment income (Note 5)	\$ 2,087,431	\$ 2,536,057	\$ 9,229	\$ 4,632,717	\$ 3,178,357
Donations (Note 2)	<u>2,025,714</u>	<u>1,014,916</u>	<u>395,514</u>	<u>3,436,144</u>	<u>3,959,984</u>
	<u>4,113,145</u>	<u>3,550,973</u>	<u>404,743</u>	<u>8,068,861</u>	<u>7,138,341</u>
Expenses					
Research activities					
Equipment grants	120,400	58,095	-	178,495	101,484
Studentships	15,000	210,000	-	225,000	210,000
Graduate studentships	-	70,000	-	70,000	40,000
Fellowships	-	133,900	-	133,900	115,000
Prizes and awards	11,714	29,638	-	41,352	29,645
Research grants	1,847,060	2,204,021	-	4,051,081	2,551,891
Beatrice Hunter Cancer Research Institute	<u>-</u>	<u>468,863</u>	<u>-</u>	<u>468,863</u>	<u>614,320</u>
	<u>1,994,174</u>	<u>3,174,517</u>	<u>-</u>	<u>5,168,691</u>	<u>3,662,340</u>
General operating	380,795	371,616	-	752,411	660,604
Fundraising	<u>1,136,597</u>	<u>28,383</u>	<u>-</u>	<u>1,164,980</u>	<u>971,717</u>
	<u>1,517,392</u>	<u>399,999</u>	<u>-</u>	<u>1,917,391</u>	<u>1,632,321</u>
	<u>3,511,566</u>	<u>3,574,516</u>	<u>-</u>	<u>7,086,082</u>	<u>5,294,661</u>
Excess (deficiency) of revenue over expenses	601,579	(23,543)	404,743	982,779	1,843,680
Fund balances, beginning of year	1,403,109	6,652,237	78,578,931	86,634,277	84,790,597
Interfund transfers (Note 6)	<u>(958,142)</u>	<u>791,333</u>	<u>166,809</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	\$ <u>1,046,546</u>	\$ <u>7,420,027</u>	\$ <u>79,150,483</u>	\$ <u>87,617,056</u>	\$ <u>86,634,277</u>

See accompanying notes to the financial statements.

Dalhousie Medical Research Foundation

Statement of cash flows

Year ended March 31

2019

2018

Increase (decrease) in cash and cash equivalents

Operating

Excess of revenue over expenses	\$ 982,779	\$ 1,843,680
Unrealized loss on investments	1,068,508	1,149,976
Realized gain on disposal of investments	(3,580,602)	(1,579,065)
Realized loss on disposal of capital assets	-	53,203
Amortization	15,279	15,280
In-kind investment donations	<u>(621,706)</u>	<u>(855,723)</u>
	(2,135,742)	627,351

Change in non-cash working capital (Note 9)	<u>373,909</u>	<u>(258,769)</u>
	(1,761,833)	<u>368,582</u>

Investing

Purchase of investments, net of proceeds on disposals	1,744,509	(283,047)
Purchase of capital assets	<u>(6,339)</u>	<u>(152,796)</u>
	1,738,170	<u>(435,843)</u>

Financing

Payments to Dalhousie University, net	<u>(7,229)</u>	<u>(2,920)</u>
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Net decrease in cash and cash equivalents (30,892) (70,181)

Cash and cash equivalents

Beginning of year 358,636 428,817

End of year \$ 327,744 \$ 358,636

See accompanying notes to the financial statements.

Dalhousie Medical Research Foundation

Notes to the financial statements

March 31, 2019

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 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, 2019

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 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, 2019

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.

3. Investments

	Treasury Bills	Stocks	Bonds	Cash	Insurance	Total
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>
March 31, 2018						
Book value	\$ 2,602,324	\$ 55,141,614	\$ 15,731,093	\$ 591,964	\$ 26,996	\$ <u>74,093,991</u>
Market value	\$ 2,602,324	\$ 67,550,988	\$ 15,406,146	\$ 591,964	\$ 26,996	\$ <u>86,178,418</u>

Dalhousie Medical Research Foundation

Notes to the financial statements

March 31, 2019

4. Capital assets

			<u>2019</u>	<u>2018</u>
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture	\$ 159,135	\$ 30,559	\$ 128,576	\$ 137,516

5. Investment income

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 2,548,584	\$ 2,524,450
Realized gain on disposal of investments	3,580,602	1,579,065
Unrealized loss on investments	(1,068,508)	(1,149,976)
Unrealized (loss) gain on foreign exchange contract	<u>(427,961)</u>	<u>224,818</u>
	<u>\$ 4,632,717</u>	<u>\$ 3,178,357</u>

6. Interfund transfers

2019

	<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>

2018

	<u>General fund</u>	<u>Restricted fund</u>	<u>Endowment fund</u>
Donations	\$ (173,864)	\$ -	\$ 173,864
Unexpended investment income	(878,440)	-	878,440
Unexpended endowed income	-	62,992	(62,992)
Other transfers	<u>1,334,395</u>	<u>254,007</u>	<u>(1,588,402)</u>
	<u>\$ 282,091</u>	<u>\$ 316,999</u>	<u>\$ (599,090)</u>

Dalhousie Medical Research Foundation

Notes to the financial statements

March 31, 2019

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 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 \$427,961 (2018 – gain of \$224,818) 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 \$498,960 (2018 - \$70,999) included in payables and accruals.

The following provides the details of the forward foreign exchange contract outstanding as at March 31, 2018:

<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	\$427,961

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

	<u>2019</u>	<u>2018</u>
Change in non-cash operating working capital		
Prepays	\$ (6,584)	\$ (27,166)
Accrued investment income receivable	10,118	(41,854)
HST receivable	(16,756)	(13,083)
Payables and accruals	378,866	(176,666)
Unearned revenue	<u>8,265</u>	<u>-</u>
	<u>\$ 373,909</u>	<u>\$ (258,769)</u>

Dalhousie Medical Research Foundation

Notes to the financial statements

March 31, 2019

10. Commitments

The Company 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:

2020	\$ 123,081
2021	125,585
2022	127,373
2023	53,072
2024	-