

Financial Statements

**The Gairdner Foundation**

December 31, 2011

# INDEPENDENT AUDITORS' REPORT

To the Members of  
**The Gairdner Foundation**

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **The Gairdner Foundation**, which comprise the statement of financial position as at December 31, 2011, and the statements of operations, changes in net assets 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 generally accepted accounting principles, 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.

### **Auditors' responsibility**

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity'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 entity'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 audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of **The Gairdner Foundation** as at December 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

As required by the Corporations Act (Ontario), we report that, in our opinion, Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

Toronto, Canada,  
March 26, 2012.

*Ernst + Young LLP*

Chartered Accountants  
Licensed Public Accountants

## The Gairdner Foundation

### STATEMENT OF FINANCIAL POSITION

As at December 31

	2011	2010
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	284,346	280,355
Grants receivable	—	33,320
GST/HST receivable	63,183	45,148
Other receivables	10,000	36,808
	<b>357,529</b>	395,631
Investments, at quoted market value <i>[note 3]</i>	25,976,355	27,177,606
Capital assets, net <i>[note 4]</i>	9,030	10,613
	<b>26,342,914</b>	27,583,850
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	331,857	260,002
Federal government funding <i>[note 5]</i>	19,485,846	20,766,953
Alberta government funding <i>[note 6]</i>	2,097,615	2,186,737
	<b>21,583,461</b>	22,953,690
	<b>21,915,318</b>	23,213,692
<b>Net assets</b>		
Unrestricted	500,000	500,000
Internally restricted <i>[note 7]</i>	3,927,596	3,870,158
	<b>4,427,596</b>	4,370,158
	<b>26,342,914</b>	27,583,850

*See accompanying notes*

On behalf of the Board:

Director

Director

## The Gairdner Foundation

### STATEMENT OF OPERATIONS

Year ended December 31

	2011	2010
	\$	\$
<b>REVENUE</b>		
Investment income (loss) <i>[note 3]</i>		
Interest and dividends	133,455	105,170
Realized gain (loss) on investments	(26,399)	36,759
Net change in unrealized gain (loss) on investments	(200,605)	91,349
	(93,549)	233,278
Federal government grant funding <i>[note 5]</i>	836,562	839,316
Alberta government grant funding <i>[note 6]</i>	42,312	59,782
Other government grants	489,342	518,200
Other contributions and sponsorships	475,986	659,778
Table sales	610,000	517,000
	2,360,653	2,827,354
<b>EXPENSES</b>		
National events	585,047	585,775
Advisory boards	100,651	94,183
Awards	700,000	700,000
Marketing and communications	48,491	74,905
Administrative	869,026	751,146
	2,303,215	2,206,009
<b>Excess of revenue over expenses for the year</b>	<b>57,438</b>	<b>621,345</b>

*See accompanying notes*

**The Gairdner Foundation**

**STATEMENT OF CHANGES IN NET ASSETS**

Year ended December 31

	<b>2011</b>		
	<b>Unrestricted</b>	<b>Internally restricted</b>	<b>Total</b>
	\$	\$	\$
		<i>[note 7]</i>	
<b>Balance, beginning of year</b>	<b>500,000</b>	<b>3,870,158</b>	<b>4,370,158</b>
Excess of revenue over expenses for the year	57,438	—	57,438
Interfund transfer <i>[note 7]</i>	(57,438)	57,438	—
<b>Balance, end of year</b>	<b>500,000</b>	<b>3,927,596</b>	<b>4,427,596</b>

	<b>2010</b>		
	<b>Unrestricted</b>	<b>Internally restricted</b>	<b>Total</b>
	\$	\$	\$
		<i>[note 7]</i>	
<b>Balance, beginning of year</b>	500,000	3,248,813	3,748,813
Excess of revenue over expenses for the year	621,345	—	621,345
Interfund transfer <i>[note 7]</i>	(621,345)	621,345	—
<b>Balance, end of year</b>	<b>500,000</b>	<b>3,870,158</b>	<b>4,370,158</b>

*See accompanying notes*

## The Gairdner Foundation

### STATEMENT OF CASH FLOWS

Year ended December 31

	2011	2010
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses for the year	57,438	621,345
Add (deduct) non-cash items		
Amortization of capital assets	3,079	3,403
Investment (income) loss	93,549	(233,278)
Government funding recognized as revenue	(878,874)	(899,098)
	(724,808)	(507,628)
Net change in non-cash working capital balances related to operations		
Grants receivable	33,320	62,388
GST/HST receivable	(18,035)	(24,062)
Other receivables	26,808	29,219
Prepaid expenses and deposits	—	1,750
Accounts payable and accrued liabilities	71,855	(19,321)
<b>Cash used in operating activities</b>	<b>(610,860)</b>	<b>(457,654)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(1,496)	(5,193)
Deposits to investments	—	(94,464)
Withdrawals from investments	616,347	500,000
<b>Cash provided by investing activities</b>	<b>614,851</b>	<b>400,343</b>
<b>Net increase (decrease) in cash and cash equivalents during the year</b>	<b>3,991</b>	<b>(57,311)</b>
Cash and cash equivalents, beginning of year	280,355	337,666
<b>Cash and cash equivalents, end of year</b>	<b>284,346</b>	<b>280,355</b>

*See accompanying notes*

## **The Gairdner Foundation**

# **NOTES TO FINANCIAL STATEMENTS**

December 31, 2011

### **1. PURPOSE OF THE ORGANIZATION**

The Gairdner Foundation [the "Foundation"] provides awards to medical scientists in recognition of outstanding discoveries and contributions to medical science, and as an incentive to those who follow in their footsteps. In addition to encouraging and rewarding individuals, the Foundation presents the Gairdner Awards in order to focus public, professional and scientific attention on significant achievements in the field of health sciences.

The Foundation, which was incorporated under the laws of Ontario, is registered as a charitable organization under the Income Tax Act (Canada) [the "Act"] and, as such, is exempt from income taxes, and is able to issue donation receipts for income tax purposes.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Foundation have been prepared in accordance with Canadian generally accepted accounting principles. The following summary of significant accounting policies is set forth to facilitate the understanding of these financial statements:

#### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on deposit and short-term investments with maturities of less than 90 days at the date of purchase. Cash and cash equivalents exclude amounts that are managed for returns rather than being held for liquidity.

#### **Investments and investment income/(losses)**

Publicly traded securities are valued based on the bid price and pooled funds are valued based on reported unit values. Short-term securities are valued based on cost plus accrued income, which approximates fair value. Transactions are recorded on a settlement date basis and transaction costs are expensed as incurred.

Investment income/(losses), which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, net of safekeeping and investment management expenses, is recorded as revenue in the statement of operations, except to the extent that it relates to restricted funds, in which case it is added directly to those balances.



## The Gairdner Foundation

### NOTES TO FINANCIAL STATEMENTS

December 31, 2011

#### Capital assets

Capital assets are recorded at acquisition cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is recorded in the accounts at rates intended to write off the cost of the assets over their estimated useful lives.

Rates and methods of amortization are as follows:

<b>Asset</b>	<b>Rate</b>	<b>Method</b>
Office equipment	20%	diminishing balance
Computer equipment	30%	diminishing balance

#### Revenue recognition

The Foundation follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the period in which the related expenses are recognized. Endowment contributions are recognized as direct increases in net assets in the period in which they are received. Sponsorships and related event revenue are recognized when the event takes place.

#### Foreign currency translation

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the year-end date. Non-monetary assets and liabilities are translated at the historic rate. Exchange gains and losses are included in investment income (loss).

#### Financial instruments

The Foundation has chosen to apply CICA 3861: *Financial Instruments – Disclosure and Presentation* in place of CICA 3862: *Financial Instruments – Disclosures* and CICA 3863: *Financial Instruments – Presentation*.

## The Gairdner Foundation

### NOTES TO FINANCIAL STATEMENTS

December 31, 2011

#### Contributed goods and services

Because of the difficulty in determining fair value, contributed goods and services are not recognized in the financial statements.

#### Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

#### Future changes in accounting policy

The Accounting Standards Board of the CICA has issued Part III of the CICA Handbook that sets out the accounting standards for not-for-profit organizations that are effective for fiscal years beginning on or after January 1, 2012. The Foundation is currently evaluating the impact of these standards. The Foundation will adopt the new standard effective for its fiscal year ended December 31, 2012. The adoption of the new standard is not expected to have a significant impact on the Foundation's financial statements.

### 3. INVESTMENTS

Investments consist of the following:

	<u>2011</u>		<u>2010</u>	
	\$	%	\$	%
Cash and cash equivalents	<b>309,410</b>	<b>1.2</b>	939,761	3.4
Bonds				
Canadian corporate bonds	<b>12,035,254</b>	<b>46.3</b>	12,554,143	46.2
Foreign bonds	—	—	25,391	0.1
Equities				
Canadian	<b>4,729,663</b>	<b>18.2</b>	5,019,451	18.5
US	<b>2,932,252</b>	<b>11.3</b>	3,411,022	12.6
International	<b>3,284,196</b>	<b>12.7</b>	3,891,303	14.3
Hedge funds	<b>2,685,580</b>	<b>10.3</b>	1,336,535	4.9
	<b>25,976,355</b>	<b>100.0</b>	27,177,606	100.0

Investments in pooled funds have been included above based on their underlying asset mix.

## The Gairdner Foundation

### NOTES TO FINANCIAL STATEMENTS

December 31, 2011

As at December 31, 2011, bonds have an average term to maturity of 6.0 years [2010 - 6.1 years] and a weighted average yield of 3.6% [2010 - 3.5%].

Investment income (loss) recorded in the statement of operations is calculated as follows:

	2011	2010
	\$	\$
Interest and dividends	<b>1,060,025</b>	947,002
Realized gain (loss) on investments	<b>(165,058)</b>	251,498
Net change in unrealized gain (loss) on investments	<b>(1,254,259)</b>	624,988
Total investment income (loss)	<b>(359,292)</b>	1,823,488
Less safekeeping and investment management expenses	<b>(225,612)</b>	(227,460)
Investment income (loss), net of safekeeping and investment management expenses	<b>(584,904)</b>	1,596,028
Less investment loss (income) related to:		
Federal government funding [note 5]	<b>444,545</b>	(1,234,402)
Alberta government funding [note 6]	<b>46,810</b>	(128,348)
<b>Investment income (loss) recognized in revenue</b>	<b>(93,549)</b>	233,278

## The Gairdner Foundation

### NOTES TO FINANCIAL STATEMENTS

December 31, 2011

#### 4. CAPITAL ASSETS

Capital assets consist of the following:

	2011		
	Cost \$	Accumulated amortization \$	Net book value \$
Office equipment	11,767	7,163	4,604
Computer equipment	9,800	5,374	4,426
	<b>21,567</b>	<b>12,537</b>	<b>9,030</b>

  

	2010		
	Cost \$	Accumulated amortization \$	Net book value \$
Office equipment	14,122	7,703	6,419
Computer equipment	15,185	10,991	4,194
	<b>29,307</b>	<b>18,694</b>	<b>10,613</b>

#### 5. FEDERAL GOVERNMENT FUNDING

The Foundation received a \$20,000,000 grant from the federal government in 2008 for the purpose of supporting and enhancing the Gairdner International Awards Program. This grant is to be invested for the duration of the funding agreement and only the income, which includes interest, dividends and realized gains/losses, may be used to support the Foundation's activities until the funding agreement terminates. The Foundation can draw upon the capital to a maximum of \$2,000,000 over the term of the funding agreement, provided it uses best efforts to restore any capital withdrawn.

The funding agreement terminates on March 31, 2028, unless terminated earlier, or renewed in accordance with the funding agreement. Upon termination, the Foundation may use the unspent balance of the original grant as it deems appropriate.

## The Gairdner Foundation

### NOTES TO FINANCIAL STATEMENTS

December 31, 2011

The changes in the Government of Canada funding balance are as follows:

	2011	2010
	\$	\$
<b>Balance, beginning of year</b>	<b>20,766,953</b>	20,371,867
Interest and dividends	<b>634,179</b>	556,509
Realized gain (loss) on investments	<b>(125,449)</b>	194,514
Net change in unrealized gain (loss) on investments	<b>(953,275)</b>	483,379
Investment income (loss) for the year	<b>(444,545)</b>	1,234,402
Amount recognized as revenue	<b>(836,562)</b>	(839,316)
<b>Balance, end of year</b>	<b>19,485,846</b>	20,766,953

As at December 31, 2011, the cumulative amount recognized as revenue exceeds the amount available for spending, as defined in the funding agreement, by \$572,434 [2010 - \$244,603].

#### 6. ALBERTA GOVERNMENT FUNDING

The Foundation received \$2 million from the Alberta government in 2008 for the purpose of expanding the Gairdner Outreach Program in Alberta. The funds received from the Alberta government are to be invested during the term of the funding agreement, and only the income, which includes interest, dividends and realized gains/losses, may be used to support the Alberta Gairdner Outreach Program. The Foundation can draw upon the capital to a maximum of \$250,000 over the term of the funding agreement, provided it uses best efforts to restore any capital withdrawn.

The grant has an indeterminate term; however, the funding agreement is to be reviewed at least every five years. The Alberta government has the right to terminate the agreement, without cause, upon giving 90 days' notice. Upon termination, the remaining balance of the fund not previously committed for outreach activities must be repaid.

## The Gairdner Foundation

### NOTES TO FINANCIAL STATEMENTS

December 31, 2011

The changes in the Government of Alberta funding balance are as follows:

	2011	2010
	\$	\$
<b>Balance, beginning of year</b>	<b>2,186,737</b>	2,118,171
Interest and dividends	<b>66,778</b>	57,863
Realized gain (loss) on investments	<b>(13,210)</b>	20,225
Net change in unrealized gain/(loss) on investments	<b>(100,379)</b>	50,260
Investment income (loss) for the year	<b>(46,810)</b>	128,348
Amount recognized as revenue	<b>(42,312)</b>	(59,782)
<b>Balance, end of year</b>	<b>2,097,615</b>	2,186,737

As at December 31, 2011, the amount available for spending in future years is \$95,173 [2010 – \$83,917].

#### 7. INTERNALLY RESTRICTED NET ASSETS

Internally restricted net assets are funds set aside by the Board of Directors to invest in order to earn income to help fund future operating expenses. In 2011, the Board approved an interfund transfer from unrestricted to internally restricted net assets of \$57,438 [2010 - \$621,345]. The Board of Directors may approve a transfer from internally restricted net assets, if required, to fund unanticipated deficits from fundraising shortfalls or unanticipated expenditures.

#### 8. COMMITMENTS

The Foundation is required to make future annual lease payments for its premises as follows:

	\$
2012	48,600
2013	16,200
	<b>64,800</b>

## **The Gairdner Foundation**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2011

#### **9. FINANCIAL INSTRUMENTS**

The Foundation is subject to market risk, foreign currency risk and interest rate price risk with respect to its investment portfolio. To manage these risks, the Foundation has established a target mix of investment types designed to achieve optimal return within reasonable risk tolerances.

#### **10. CAPITAL MANAGEMENT**

In managing capital, the Foundation focuses on liquid resources available for operations. The Foundation's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at December 31, 2011, the Foundation has met its objective of having sufficient liquid resources to meet its current obligations.