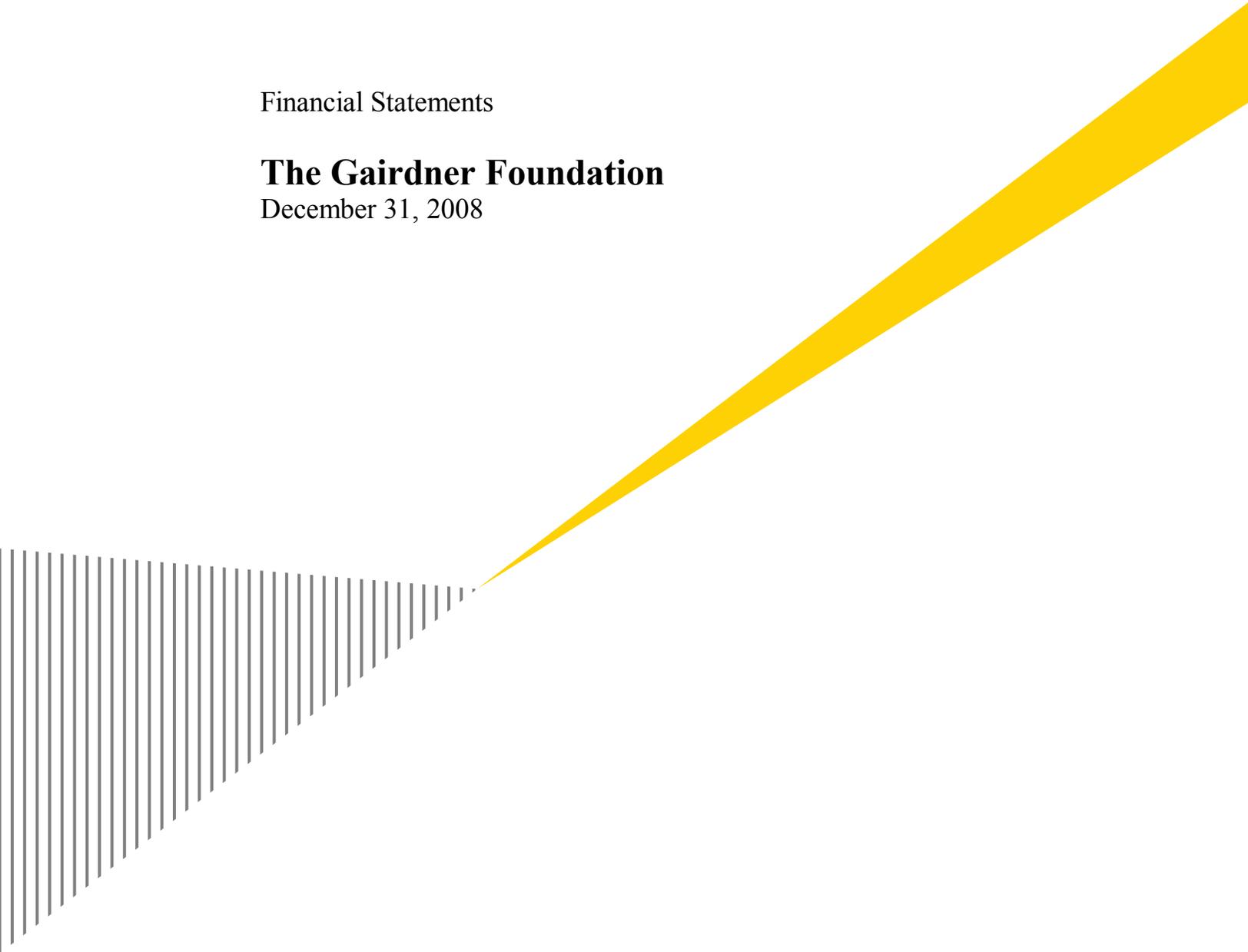


Financial Statements

The Gairdner Foundation

December 31, 2008



AUDITORS' REPORT

To the Members of
The Gairdner Foundation

We have audited the statement of financial position of **The Gairdner Foundation** as at December 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Corporations Act (Ontario), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding period.

The financial statements as at December 31, 2007 and for the one-month period then ended were audited by other auditors who expressed an opinion on those statements in their report dated May 28, 2008 with a reservation related to the completeness of revenue.

Toronto, Canada,
February 26, 2009.

Ernst + Young LLP

Chartered Accountants
Licensed Public Accountants

The Gairdner Foundation

STATEMENT OF FINANCIAL POSITION

As at December 31

	2008	2007
	\$	\$
		<i>[restated – note 9]</i>
ASSETS		
Current		
Cash and cash equivalents	231,519	107,806
Grants receivable	136,286	—
Other receivables	31,684	17,927
Prepaid expenses and deposits	1,750	1,750
	401,239	127,483
Investments, at quoted market value <i>[note 3]</i>	23,520,799	3,403,893
Capital assets, net <i>[note 4]</i>	9,035	4,251
	23,931,073	3,535,627
LIABILITIES		
Current		
Accounts payable and accrued liabilities <i>[note 9]</i>	134,537	131,410
Federal government funding <i>[note 5]</i>	18,999,422	—
Alberta government funding <i>[note 6]</i>	1,897,983	—
	20,897,405	—
	21,031,942	131,410
Net assets		
Unrestricted <i>[note 9]</i>	2,899,131	3,368,974
Unrealized appreciation of investments	—	35,243
	2,899,131	3,404,217
	23,931,073	3,535,627

See accompanying notes

On behalf of the Board:

Director

Director

The Gairdner Foundation

STATEMENT OF OPERATIONS

	Year ended December 31, 2008 \$	One month period ended December 31, 2007 \$
		<i>[restated – note 9]</i>
REVENUE		
Investment income (loss)		
Interest and dividends	147,636	17,145
Realized losses on investments	(141,301)	—
Net change in unrealized losses on investments	(145,399)	—
	(139,064)	17,145
Government funding <i>[note 5]</i>	85,695	—
Other contributions and sponsorships	913,554	7,711
Table sales	168,400	—
	1,028,585	24,856
EXPENSES		
National events	423,797	38,632
Advisory boards	97,878	1,856
Awards	180,000	—
Marketing and communications	79,505	3,962
Administrative <i>[note 9]</i>	717,248	50,734
	1,498,428	95,184
Deficiency of revenue over expenses for the period	(469,843)	(70,328)

See accompanying notes

The Gairdner Foundation

STATEMENT OF CHANGES IN NET ASSETS

	<u>Year ended December 31, 2008</u>		
	Unrestricted \$	Unrestricted appreciation of investments \$	Total \$
Balance, beginning of year	3,368,974	35,243	3,404,217
Deficiency of revenue over expenses	(469,843)	—	(469,843)
Net change in unrealized losses on investment	—	(35,243)	(35,243)
Balance, end of year	2,899,131	—	2,899,131

	<u>One-month period ended December 31, 2007</u>		
	Unrestricted \$	Unrestricted appreciation of investments \$	Total \$
	<i>[restated - note 9]</i>		<i>[restated - note 9]</i>
Balance, beginning of period	3,505,785	46,046	3,551,831
Adjustment <i>[note 9]</i>	(66,483)	—	(66,483)
Balance, beginning of period, as restated	3,439,302	46,046	3,485,348
Deficiency of revenue over expenses	(70,328)	—	(70,328)
Net change in unrealized gain on investment	—	(10,803)	(10,803)
Balance, end of period	3,368,974	35,243	3,404,217

See accompanying notes

The Gairdner Foundation

STATEMENT OF CASH FLOWS

	Year ended December 31, 2008 \$	One-month period ended December 31, 2007 \$
OPERATING ACTIVITIES		
Deficiency of revenue over expenses for the period	(469,843)	(70,328)
Add (deduct) non-cash items		
Amortization of capital assets	3,170	75
Investment loss (income)	139,064	(17,145)
Government funding recognized as revenue	(85,695)	—
	(413,304)	(87,398)
Net change in non-cash working capital balances related to operations		
Grants receivable	(136,286)	—
Other receivables	(13,757)	59,084
Accounts payable and accrued liabilities	3,127	19,051
Cash used in operating activities	(560,220)	(9,263)
INVESTING ACTIVITIES		
Purchase of capital assets	(7,954)	—
Net transfer from (to) investment managers	(21,308,113)	94,560
Cash provided by (used in) investing activities	(21,316,067)	94,560
FINANCING ACTIVITIES		
Receipt of government funding	22,000,000	—
Cash provided by financing activities	22,000,000	—
Net increase in cash and cash equivalents during the period	123,713	85,297
Cash and cash equivalents, beginning of period	107,806	22,509
Cash and cash equivalents, end of period	231,519	107,806

See accompanying notes

The Gairdner Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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. In order to maintain its status as a registered charity under the Act, the Foundation must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

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.

Investments and investment income

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 (loss), 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. In the prior period, unrealized appreciation was added directly to net assets.

The Gairdner Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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:

Asset	Rate	Method
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 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 organization 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*.

Contributed goods and services

The Gairdner Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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

Sculptures

The Foundation has a supply of bronze sculptures, which are given to award recipients in addition to a cash award. These sculptures were a gift from the A. A. Gairdner Estate. Due to the difficulty in determining a fair value, these sculptures have not been 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.

Changes in accounting policies

Effective January 1, 2008, the Foundation adopted the recommendations of CICA 1535: *Capital Disclosures*, which require the disclosure of qualitative and quantitative information that enables the users of the financial statements to evaluate the Foundation's objectives, policies and processes for managing capital. The adoption of these recommendations only required additional disclosures, which are provided in note 8.

Effective January 1, 2008, the Foundation adopted retroactively the changes to the recommendations in CICA 4400: *Financial Statement Presentation for Not-For-Profit Organizations* that eliminate the requirement to separately disclose the amount of net assets invested in capital assets. As a result, the prior period financial statements do not separately disclose the amount of net assets invested in capital assets.

Future changes in accounting policies

In February 2008, the Accounting Standards Board amended CICA 1000: *Financial Statement Concepts* to clarify that assets not meeting the definition of an asset or the recognition criteria are not permitted to be recognized on the statement of operations.

The amendments are effective for financial statements for fiscal years beginning on or after October 1, 2008. These amendments are not expected to have an impact on the financial statements.

The Gairdner Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

3. INVESTMENTS

Investments consist of the following:

	2008		2007	
	\$	%	\$	%
Cash and cash equivalents	3,204,202	13.6	201,971	5.9
Bonds				
Canadian corporate bonds	13,911,758	59.2	413,800	12.2
Foreign bonds	—	—	178,918	5.3
Equities				
Canadian	2,898,484	12.3	1,803,162	52.9
US	1,169,505	5.0	758,674	22.3
International	2,336,850	9.9	47,368	1.4
	23,520,799	100.0	3,403,893	100.0

As at December 31, 2008, bonds have an average term to maturity of 6.96 years [2007- 10.1 years] and an average yield of 4.05% [2007-7.05%].

As at December 31, 2007, investments were classified as available for sale. Therefore the net change in unrealized gains/losses was added directly to net assets. Investments held at December 31, 2008 were purchased during the period and designated as held for trading. Therefore the net change in unrealized gains/losses is recorded in the statement of operations.

The Gairdner Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

4. CAPITAL ASSETS

Capital assets consist of the following:

	2008		
	Cost \$	Accumulated amortization \$	Net book value \$
Office equipment	12,133	7,031	5,102
Computer equipment	9,086	5,153	3,933
	21,219	12,184	9,035

	2007		
	Cost \$	Accumulated amortization \$	Net book value \$
Office equipment	8,043	4,170	3,873
Computer equipment	5,223	4,845	378
	13,266	9,015	4,251

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 capital gains/losses, may be used to support the Foundations' activities until the funding agreement terminates. The Foundation can draw upon the capital to a maximum of \$2 million 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, 2008

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

	2008	2007
	\$	\$
Balance, beginning of period	—	—
Contributions received	20,000,000	—
Interest and dividends	223,682	—
Realized losses	(63,888)	—
Net change in unrealized losses	(1,074,677)	—
Amount recognized as revenue	(85,695)	—
Balance, end of period	18,999,422	—

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, including interest, dividends and realized capital 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 changes in the Government of Alberta funding balance are as follows:

	2008	2007
	\$	\$
Balance, beginning of period	—	—
Contributions received	2,000,000	—
Interest and dividends	11,285	—
Realized losses	(6,358)	—
Net change in unrealized losses	(106,944)	—
Balance, end of period	1,897,983	—

The Gairdner Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

7. 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.

8. CAPITAL MANAGEMENT

In managing capital, the organization 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, 2008, the organization has met its objective of having sufficient liquid resources to meet its current obligations.

9. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2008 financial statements.

The prior period financial statements have been restated to accrue amounts that were payable at prior period end. Unrestricted net assets as at December 1, 2007 have been decreased by and accounts payable and accrued liabilities increased by \$66,483. For the one-month period ended December 31, 2007, administrative expenses and deficiency of revenue over expenses have been increased by \$8,526, and accounts payable and accrued liabilities have been increased by \$8,526.

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