

Financial Statements

**The Gairdner Foundation**

December 31, 2015

## **INDEPENDENT AUDITORS' REPORT**

To the Members of  
**The Gairdner Foundation**

We have audited the accompanying financial statements of **The Gairdner Foundation**, which comprise the statement of financial position as at December 31, 2015, 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 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.

### **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 in our audit 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, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Toronto, Canada  
May 4, 2016

The signature of Ernst & Young LLP is written in a black, cursive script. The letters are fluid and connected, with a prominent 'E' and 'Y'.

Chartered Professional Accountants  
Licensed Public Accountants

## The Gairdner Foundation

### STATEMENT OF FINANCIAL POSITION

As at December 31

|  | 2015              | 2014              |
|--|-------------------|-------------------|
|  | \$                | \$                |
| <b>ASSETS</b>                              |                   |                   |
| <b>Current</b>                             |                   |                   |
| Cash and cash equivalents                  | 267,929           | 261,333           |
| Grants receivable                          | —                 | 25,515            |
| GST/HST receivable                         | 84,989            | 70,095            |
| Other receivables                          | 53,750            | 18,000            |
| Prepaid expenses                           | 11,017            | 13,622            |
| <b>Total current assets</b>                | <b>417,685</b>    | <b>388,565</b>    |
| Investments <i>[note 3]</i>                | 31,092,068        | 30,879,933        |
| Capital assets, net <i>[note 4]</i>        | 18,406            | 26,608            |
|  | <b>31,528,159</b> | <b>31,295,106</b> |
| <b>LIABILITIES AND NET ASSETS</b>          |                   |                   |
| <b>Current</b>                             |                   |                   |
| Accounts payable and accrued liabilities   | 867,181           | 725,398           |
| <b>Total current liabilities</b>           | <b>867,181</b>    | <b>725,398</b>    |
| Federal government funding <i>[note 5]</i> | 22,257,194        | 22,345,551        |
| Alberta government funding <i>[note 6]</i> | 2,318,535         | 2,377,425         |
|  | <b>24,575,729</b> | <b>24,722,976</b> |
| <b>Total liabilities</b>                   | <b>25,442,910</b> | <b>25,448,374</b> |
| Commitments <i>[note 8]</i>                |                   |                   |
| <b>Net assets</b>                          |                   |                   |
| Unrestricted                               | 500,000           | 500,000           |
| Internally restricted <i>[note 7]</i>      | 5,585,249         | 5,346,732         |
| <b>Total net assets</b>                    | <b>6,085,249</b>  | <b>5,846,732</b>  |
|  | <b>31,528,159</b> | <b>31,295,106</b> |

*See accompanying notes*

On behalf of the Board:

Director

Director

## The Gairdner Foundation

### STATEMENT OF OPERATIONS

Year ended December 31

|   | 2015             | 2014      |
|---|------------------|-----------|
|   | \$               | \$        |
| <b>REVENUE</b>                                      |                  |           |
| Investment income <i>[note 3]</i>                   |                  |           |
| Interest and dividends                              | 132,747          | 140,606   |
| Realized gain on investments                        | 137,360          | 176,636   |
| Net change in unrealized gain (loss) on investments | (56,732)         | 112,526   |
|   | <b>213,375</b>   | 429,768   |
| Federal government grant funding <i>[note 5]</i>    | 903,852          | 977,890   |
| Alberta government grant funding <i>[note 6]</i>    | 145,654          | 106,652   |
| Other government grants                             | 573,235          | 437,701   |
| Other contributions and sponsorships                | 415,922          | 237,208   |
| Table sales   | 606,250          | 678,500   |
|   | <b>2,858,288</b> | 2,867,719 |
| <b>EXPENSES</b>                                     |                  |           |
| National events                                     | 570,808          | 551,047   |
| Advisory boards                                     | 225,383          | 171,263   |
| Awards  | 700,000          | 800,000   |
| Marketing and communications                        | 140,365          | 36,155    |
| Administrative                                      | 983,215          | 1,246,207 |
|   | <b>2,619,771</b> | 2,804,672 |
| <b>Excess of revenue over expenses for the year</b> | <b>238,517</b>   | 63,047    |

*See accompanying notes*

**The Gairdner Foundation**

**STATEMENT OF CHANGES IN NET ASSETS**

Year ended December 31

|  | <b>2015</b>         |                   |                  |
|--|---------------------|-------------------|------------------|
|  | <b>Unrestricted</b> | <b>Internally</b> | <b>Total</b>     |
|  | <b>\$</b>           | <b>restricted</b> | <b>\$</b>        |
|  |                     | <b>\$</b>         |                  |
|  |                     | [note 7]          |                  |
| <b>Balance, beginning of year</b>            | <b>500,000</b>      | <b>5,346,732</b>  | <b>5,846,732</b> |
| Excess of revenue over expenses for the year | <b>238,517</b>      | —                 | <b>238,517</b>   |
| Interfund transfer [note 7]                  | <b>(238,517)</b>    | <b>238,517</b>    | —                |
| <b>Balance, end of year</b>                  | <b>500,000</b>      | <b>5,585,249</b>  | <b>6,085,249</b> |

|  | <b>2014</b>         |                   |              |
|--|---------------------|-------------------|--------------|
|  | <b>Unrestricted</b> | <b>Internally</b> | <b>Total</b> |
|  | <b>\$</b>           | <b>restricted</b> | <b>\$</b>    |
|  |                     | <b>\$</b>         |              |
|  |                     | [note 7]          |              |
| <b>Balance, beginning of year</b>            | 500,000             | 5,283,685         | 5,783,685    |
| Excess of revenue over expenses for the year | 63,047              | —                 | 63,047       |
| Interfund transfer [note 7]                  | (63,047)            | 63,047            | —            |
| <b>Balance, end of year</b>                  | 500,000             | 5,346,732         | 5,846,732    |

See accompanying notes

## The Gairdner Foundation

### STATEMENT OF CASH FLOWS

Year ended December 31

|  | 2015               | 2014               |
|--|--------------------|--------------------|
|  | \$                 | \$                 |
| <b>OPERATING ACTIVITIES</b>  |                    |                    |
| Excess of revenue over expenses for the year                       | 238,517            | 63,047             |
| Add (deduct) non-cash items  |                    |                    |
| Amortization of capital assets                                     | 8,827              | 9,330              |
| Investment income  | (213,375)          | (429,768)          |
| Government funding recognized as revenue                           | (1,049,506)        | (1,084,542)        |
| Loss on disposal of capital assets                                 | —                  | 2,214              |
|  | <b>(1,015,537)</b> | <b>(1,439,719)</b> |
| Changes in non-cash working capital balances related to operations |                    |                    |
| Grants receivable  | 25,515             | (19,162)           |
| GST/HST receivable   | (14,894)           | (5,084)            |
| Other receivables  | (35,750)           | 10,231             |
| Prepaid expenses   | 2,605              | (13,622)           |
| Accounts payable and accrued liabilities                           | 141,783            | 292,561            |
| <b>Cash used in operating activities</b>                           | <b>(896,278)</b>   | <b>(1,174,795)</b> |
| <b>INVESTING ACTIVITIES</b>  |                    |                    |
| Purchase of capital assets   | (625)              | (35,220)           |
| Withdrawals from investments held by third parties                 | 903,499            | 1,311,565          |
| <b>Cash provided by investing activities</b>                       | <b>902,874</b>     | <b>1,276,345</b>   |
| <b>Net increase in cash and cash equivalents during the year</b>   | <b>6,596</b>       | <b>101,550</b>     |
| Cash and cash equivalents, beginning of year                       | 261,333            | 159,783            |
| <b>Cash and cash equivalents, end of year</b>                      | <b>267,929</b>     | <b>261,333</b>     |

*See accompanying notes*

## **The Gairdner Foundation**

# **NOTES TO FINANCIAL STATEMENTS**

December 31, 2015

## **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, was incorporated under the laws of Ontario until October 2, 2013 and is currently incorporated under the Canada Not-for-profit Corporations Act. The Foundation 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**

These financial statements are prepared in accordance with Part III of the CPA Canada Handbook – Accounting, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies set out below.

### **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.

### **Financial instruments**

Investments reported at fair value consist of equity instruments that are quoted in an active market as well as investments in pooled funds and any investments in fixed income securities that the Foundation designates upon purchase to be measured at fair value. Transaction costs are recognized in the statement of operations in the period during which they are incurred.

Investments in fixed income securities not designated to be measured at fair value are initially recorded at fair value net of transaction costs and are subsequently measured at amortized cost using the straight-line method, less any provision for impairment.

Other financial instruments, including grants and other receivables, and accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.



## The Gairdner Foundation

### NOTES TO FINANCIAL STATEMENTS

December 31, 2015

#### 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>Years</b>  | <b>Method</b> |
|-------------------------|---------------|---------------|
| Office equipment        | 5             | straight-line |
| Computer equipment      | 3             | straight-line |
| Leaseholds improvements | Term of lease | straight-line |

#### Revenue recognition

The Foundation follows the deferral method of accounting for contributions, which include grants and donations. Grants and bequests are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received, since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized. Sponsorships and related event revenues are recognized when the event takes place.

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, except to the extent that it relates to restricted contributions, in which case it is added directly to those balances.

#### 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 the statement of operations except to the extent that they relate to investments, in which case they are accounted for consistent with investment income (loss).

## The Gairdner Foundation

### NOTES TO FINANCIAL STATEMENTS

December 31, 2015

#### Contributed goods and services

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

#### 3. INVESTMENTS

Investments consist of the following:

|                           | <b>2015</b>       |              | <b>2014</b> |       |
|---------------------------|-------------------|--------------|-------------|-------|
|                           | \$                | %            | \$          | %     |
| Cash and cash equivalents | <b>1,840,967</b>  | <b>5.9</b>   | 1,856,623   | 6.0   |
| Bonds                     |                   |              |             |       |
| Canadian                  | <b>11,063,000</b> | <b>35.6</b>  | 10,631,000  | 34.4  |
| International             | <b>2,469,000</b>  | <b>7.9</b>   | 2,607,000   | 8.4   |
| Equities                  |                   |              |             |       |
| Canadian                  | <b>4,078,000</b>  | <b>13.1</b>  | 4,571,000   | 14.8  |
| US                        | <b>5,242,000</b>  | <b>16.9</b>  | 4,935,000   | 16.0  |
| Other international       | <b>3,805,000</b>  | <b>12.3</b>  | 3,756,000   | 12.2  |
| Hedge funds               | <b>2,594,101</b>  | <b>8.3</b>   | 2,523,310   | 8.2   |
|                           | <b>31,092,068</b> | <b>100.0</b> | 30,879,933  | 100.0 |

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

As at December 31, 2015, bonds have an average term to maturity of 4.3 years [2014 – 7.7 years] and a weighted average yield of 2.91% [2014 – 3.6%].

## The Gairdner Foundation

### NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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

|  | 2015           | 2014           |
|--|----------------|----------------|
|  | \$             | \$             |
| Interest and dividends   | 861,980        | 920,139        |
| Realized gain on investments   | 718,191        | 910,289        |
| Net change in unrealized gain (loss) on investments                      | (296,626)      | 579,903        |
| Total investment income  | 1,283,545      | 2,410,331      |
| Less safekeeping and investment management expenses                      | (167,911)      | (195,526)      |
| Investment income, net of safekeeping and investment management expenses | 1,115,634      | 2,214,805      |
| Less investment (income) related to:                                     |                |                |
| Federal government funding [note 5]                                      | (815,495)      | (1,613,220)    |
| Alberta government funding [note 6]                                      | (86,764)       | (171,817)      |
| <b>Investment income recognized in revenue</b>                           | <b>213,375</b> | <b>429,768</b> |

#### 4. CAPITAL ASSETS

Capital assets consist of the following:

|                         | 2015   |                          |                |
|-------------------------|--------|--------------------------|----------------|
|                         | Cost   | Accumulated amortization | Net book value |
|                         | \$     | \$                       | \$             |
| Office equipment        | 15,721 | 12,820                   | 2,901          |
| Computer equipment      | 24,553 | 12,177                   | 12,376         |
| Leaseholds improvements | 5,215  | 2,086                    | 3,129          |
|                         | 45,489 | 27,083                   | 18,406         |

## The Gairdner Foundation

### NOTES TO FINANCIAL STATEMENTS

December 31, 2015

|                        | <b>2014</b>   |                                     |                           |
|------------------------|---------------|-------------------------------------|---------------------------|
|                        | <b>Cost</b>   | <b>Accumulated<br/>amortization</b> | <b>Net book<br/>value</b> |
|                        | \$            | \$                                  | \$                        |
| Office equipment       | 24,553        | 8,324                               | 16,229                    |
| Computer equipment     | 15,096        | 8,889                               | 6,207                     |
| Leasehold improvements | 5,215         | 1,043                               | 4,172                     |
|                        | <b>44,864</b> | <b>18,256</b>                       | <b>26,608</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 changes in the Government of Canada funding balance are as follows:

|   | <b>2015</b>       | <b>2014</b> |
|---|-------------------|-------------|
|   | \$                | \$          |
| <b>Balance, beginning of year</b>                   | <b>22,345,551</b> | 21,710,221  |
| Interest and dividends                              | <b>507,344</b>    | 527,794     |
| Realized gain on investments                        | <b>524,976</b>    | 663,036     |
| Net change in unrealized gain (loss) on investments | <b>(216,825)</b>  | 422,390     |
| Investment income for the year <i>[note 3]</i>      | <b>815,495</b>    | 1,613,220   |
| Amount recognized as revenue                        | <b>(903,852)</b>  | (977,890)   |
| <b>Balance, end of year</b>                         | <b>22,257,194</b> | 22,345,551  |

As at December 31, 2015, the amount available for spending in future years is \$1,052,572 [2014 – \$924,102].

## The Gairdner Foundation

### NOTES TO FINANCIAL STATEMENTS

December 31, 2015

#### 6. ALBERTA GOVERNMENT FUNDING

The Foundation received \$2,000,000 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 changes in the Government of Alberta funding balance are as follows:

|   | 2015             | 2014      |
|---|------------------|-----------|
|   | \$               | \$        |
| <b>Balance, beginning of year</b>                   | <b>2,377,425</b> | 2,312,260 |
| Interest and dividends                              | <b>53,978</b>    | 56,213    |
| Realized gain on investments                        | <b>55,854</b>    | 70,617    |
| Net change in unrealized gain (loss) on investments | <b>(23,068)</b>  | 44,987    |
| Investment income for the year <i>[note 3]</i>      | <b>86,764</b>    | 171,817   |
| Amount recognized as revenue                        | <b>(145,654)</b> | (106,652) |
| <b>Balance, end of year</b>                         | <b>2,318,535</b> | 2,377,425 |

As at December 31, 2015, the amount available for spending in future years is \$192,875 [2014 – \$228,697].

#### 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 2015, the Board of Directors approved an interfund transfer from unrestricted to internally restricted net assets of \$238,517 [2014 – \$63,047]. 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.

## The Gairdner Foundation

### NOTES TO FINANCIAL STATEMENTS

December 31, 2015

#### 8. COMMITMENTS

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

|      | \$             |
|------|----------------|
| 2016 | 75,000         |
| 2017 | 75,000         |
| 2018 | 75,000         |
| 2019 | 37,500         |
|      | <u>262,500</u> |

#### 9. FINANCIAL INSTRUMENTS

The Foundation is exposed to various financial risks through transactions in financial instruments.

##### Currency risk

The Foundation is exposed to foreign currency risk with respect to its investments denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

##### Interest rate risk

The Foundation is exposed to interest rate risk with respect to its investments in fixed income investments and pooled funds that hold fixed income securities because the fair value will fluctuate due to changes in market interest rates.

##### Other price risk

The Foundation is exposed to other price risk through changes in market prices [other than changes arising from interest rate or currency risks] in connection with its investments in equity securities and pooled funds.