

Financial Statements

The Gairdner Foundation

December 31, 2016



Building a better
working world

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, 2016, 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 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, 2016 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 16, 2017

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



The Gairdner Foundation

Statement of financial position

As at December 31

	2016	2015
	\$	\$
Assets		
Current		
Cash and cash equivalents	360,869	267,929
Accounts receivable	124,815	138,739
Prepaid expenses	82,465	11,017
Total current assets	568,149	417,685
Investments <i>[note 3]</i>	32,707,286	31,092,068
Capital assets, net <i>[note 4]</i>	14,700	18,406
	33,290,135	31,528,159
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	801,107	867,181
Total current liabilities	801,107	867,181
Federal government funding <i>[note 5]</i>	23,332,817	22,257,194
Alberta government funding <i>[note 6]</i>	2,393,152	2,318,535
	25,725,969	24,575,729
Total liabilities	26,527,076	25,442,910
Commitments <i>[note 8]</i>		
Net assets		
Unrestricted	500,000	500,000
Internally restricted <i>[note 7]</i>	6,263,059	5,585,249
Total net assets	6,763,059	6,085,249
	33,290,135	31,528,159

See accompanying notes

On behalf of the Board:

Director

Director

The Gairdner Foundation

Statement of operations

Year ended December 31

	2016	2015
	\$	\$
Revenue		
Investment income <i>[note 3]</i>		
Interest and dividends	100,826	132,747
Realized gain on investments	302,973	137,360
Net change in unrealized gain (loss) on investments	135,230	(56,732)
	<u>539,029</u>	<u>213,375</u>
Federal government grant funding <i>[note 5]</i>	895,912	903,852
Alberta government grant funding <i>[note 6]</i>	130,758	145,654
Other government grants	711,302	573,235
Table sales	640,680	606,250
Other contributions and sponsorships	295,792	415,922
	<u>3,213,473</u>	<u>2,858,288</u>
Expenses		
Awards	700,000	700,000
National events	602,136	570,808
Advisory boards	223,812	225,383
Marketing and communications	121,180	140,365
Administrative	888,535	983,215
	<u>2,535,663</u>	<u>2,619,771</u>
Excess of revenue over expenses for the year	<u>677,810</u>	<u>238,517</u>

See accompanying notes

The Gairdner Foundation

Statement of changes in net assets

Year ended December 31

	2016		
	Unrestricted	Internally restricted	Total
	\$	\$	\$
	<i>[note 7]</i>		
Balance, beginning of year	500,000	5,585,249	6,085,249
Excess of revenue over expenses for the year	677,810	—	677,810
Interfund transfer <i>[note 7]</i>	(677,810)	677,810	—
Balance, end of year	500,000	6,263,059	6,763,059

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

See accompanying notes

The Gairdner Foundation

Statement of cash flows

Year ended December 31

	2016	2015
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	677,810	238,517
Add (deduct) non-cash items		
Amortization of capital assets	8,704	8,827
Re-invested investment income	(539,029)	(213,375)
Government funding recognized as revenue	(1,026,670)	(1,049,506)
	<u>(879,185)</u>	<u>(1,015,537)</u>
Changes in non-cash working capital balances related to operations		
Accounts receivable	13,924	(25,129)
Prepaid expenses	(71,448)	2,605
Accounts payable and accrued liabilities	(66,074)	141,783
Cash used in operating activities	<u>(1,002,783)</u>	<u>(896,278)</u>
Investing activities		
Purchase of capital assets	(4,998)	(625)
Withdrawals from investments held by third parties	1,100,721	903,499
Cash provided by investing activities	<u>1,095,723</u>	<u>902,874</u>
Net increase in cash and cash equivalents during the year	92,940	6,596
Cash and cash equivalents, beginning of year	267,929	261,333
Cash and cash equivalents, end of year	<u>360,869</u>	<u>267,929</u>

See accompanying notes

The Gairdner Foundation

Notes to financial statements

December 31, 2016

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.

All transactions are recorded on a trade date basis.

Other financial instruments, including accounts 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.

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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	Years	Method
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 as at the balance sheet 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).

Contributed materials and services

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

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Notes to financial statements

December 31, 2016

3. Investments

Investments consist of the following:

	2016		2015	
	\$	%	\$	%
Cash and cash equivalents	1,496,286	4.6	1,840,967	5.9
Bond				
Canadian	9,059,000	27.7	11,063,000	35.6
International	1,286,000	3.9	2,469,000	7.9
Equities				
Canadian	5,656,000	17.3	4,078,000	13.1
US	6,769,000	20.7	5,242,000	16.9
Other international	3,573,000	10.9	3,805,000	12.3
Hedge funds	4,868,000	14.9	2,594,101	8.3
	32,707,286	100.0	31,092,068	100.0

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

As at December 31, 2016, bonds have an average term to maturity of 4.3 years [2015 – 4.3 years] and a weighted average yield of 3.0% [2015 – 2.91%].

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

	2016	2015
	\$	\$
Interest and dividends	678,911	861,980
Realized gain on investments	1,526,551	718,191
Net change in unrealized gain (loss) on investments	681,367	(296,626)
Total investment income	2,886,829	1,283,545
Less safekeeping and investment management expenses	(170,890)	(167,911)
Investment income, net of safekeeping and investment management expenses	2,715,939	1,115,634
Less investment income related to:		
Federal government funding [note 5]	(1,971,535)	(815,495)
Alberta government funding [note 6]	(205,375)	(86,764)
Investment income recognized in revenue	539,029	213,375

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Notes to financial statements

December 31, 2016

4. Capital assets

Capital assets consist of the following:

	2016		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Computer equipment	13,072	11,317	1,755
Office equipment	26,877	17,342	9,535
Leaseholds improvements	6,870	3,460	3,410
	46,819	32,119	14,700

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

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.

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Notes to financial statements

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

	2016	2015
	\$	\$
Balance, beginning of year	22,257,194	22,345,551
Interest and dividends	368,779	507,344
Realized gain on investments	1,108,143	524,976
Net change in unrealized gain (loss) on investments	494,613	(216,825)
Investment income for the year <i>[note 3]</i>	1,971,535	815,495
Amount recognized as revenue	(895,912)	(903,852)
Balance, end of year	23,332,817	22,257,194

As at December 31, 2016, the amount available for spending in future years is \$1,633,582 [2015 – \$1,052,572].

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:

	2016	2015
	\$	\$
Balance, beginning of year	2,318,535	2,377,425
Interest and dividends	38,416	53,978
Realized gain on investments	115,435	55,854
Net change in unrealized gain (loss) on investments	51,524	(23,068)
Investment income for the year <i>[note 3]</i>	205,375	86,764
Amount recognized as revenue	(130,758)	(145,654)
Balance, end of year	2,393,152	2,318,535

As at December 31, 2016, the amount available for spending in future years is \$215,968 [2015 – \$192,875].

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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 2016, the Board of Directors approved an interfund transfer from unrestricted to internally restricted net assets of \$677,810 [2015 – \$238,517]. 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 minimum annual lease payments for its premises as follows:

	\$
2017	75,000
2018	75,000
2019	37,500
	<u>187,500</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.

