

The Gairdner Foundation

Financial statements

December 31, 2017



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, 2017, 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, 2017, 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 29, 2018

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



The Gairdner Foundation

Statement of financial position

As at December 31

	2017	2016
	\$	\$
Assets		
Current		
Cash	180,370	360,869
Accounts receivable	127,469	124,815
Prepaid expenses	47,965	82,465
Total current assets	355,804	568,149
Investments <i>[note 3]</i>	34,306,276	32,707,286
Capital assets, net <i>[note 4]</i>	12,441	14,700
	34,674,521	33,290,135
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	707,598	801,107
Total current liabilities	707,598	801,107
Federal government funding <i>[note 5]</i>	24,088,957	23,332,817
Alberta government funding <i>[note 6]</i>	2,438,730	2,393,152
Total liabilities	27,235,285	26,527,076
Commitments <i>[note 8]</i>		
Net assets		
Unrestricted	500,000	500,000
Internally restricted <i>[note 7]</i>	6,939,236	6,263,059
Total net assets	7,439,236	6,763,059
	34,674,521	33,290,135

See accompanying notes

On behalf of the Board:

Director

Director

The Gairdner Foundation

Statement of operations

Year ended December 31

	2017	2016
	\$	\$
Revenue		
Investment income <i>[note 3]</i>		
Interest and dividends	86,372	100,826
Realized gain on investments	327,767	302,973
Net change in unrealized gain on investments	74,990	135,230
	489,129	539,029
Federal government grant funding <i>[note 5]</i>	931,373	895,912
Alberta government grant funding <i>[note 6]</i>	127,503	130,758
Other government grants	879,975	711,302
Table sales	602,779	640,680
Other contributions and sponsorships	471,023	295,792
	3,501,782	3,213,473
Expenses		
Awards	700,000	700,000
National events	741,838	602,136
Advisory boards	271,653	223,812
Marketing and communications	162,634	121,180
Administrative	949,480	888,535
	2,825,605	2,535,663
Excess of revenue over expenses for the year	676,177	677,810

See accompanying notes

The Gairdner Foundation

Statement of changes in net assets

Year ended December 31

	2017		
	Unrestricted	Internally restricted	Total
	\$	\$	\$
	<i>[note 7]</i>		
Balance, beginning of year	500,000	6,263,059	6,763,059
Excess of revenue over expenses for the year	676,177	—	676,177
Interfund transfer <i>[note 7]</i>	(676,177)	676,177	—
Balance, end of year	500,000	6,939,236	7,439,236

	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

See accompanying notes

The Gairdner Foundation

Statement of cash flows

Year ended December 31

	2017	2016
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	676,177	677,810
Add (deduct) non-cash items		
Amortization of capital assets	8,618	8,704
Reinvested investment income	(489,129)	(539,029)
Government funding recognized as revenue	(1,058,876)	(1,026,670)
	<u>(863,210)</u>	<u>(879,185)</u>
Changes in non-cash working capital balances related to operations		
Accounts receivable	(2,654)	13,924
Prepaid expenses	34,500	(71,448)
Accounts payable and accrued liabilities	(93,509)	(66,074)
Cash used in operating activities	<u>(924,873)</u>	<u>(1,002,783)</u>
Investing activities		
Purchase of capital assets	(6,359)	(4,998)
Withdrawals from investments held by third parties	750,733	1,100,721
Cash provided by investing activities	<u>744,374</u>	<u>1,095,723</u>
Net increase (decrease) in cash during the year	(180,499)	92,940
Cash, beginning of year	360,869	267,929
Cash, end of year	<u>180,370</u>	<u>360,869</u>

See accompanying notes

The Gairdner Foundation

Notes to financial statements

December 31, 2017

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
Leasehold 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 revenue 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 historical 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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3. Investments

Investments consist of the following:

	2017		2016	
	\$	%	\$	%
Cash and cash equivalents	1,445,276	4.2	1,496,286	4.6
Bonds				
Canadian	8,802,000	25.7	9,059,000	27.7
International	1,896,000	5.5	1,286,000	3.9
Equities				
Canadian	6,031,000	17.6	5,656,000	17.3
US	6,223,000	18.1	6,769,000	20.7
Other international	5,006,000	14.6	3,573,000	10.9
Hedge funds	4,903,000	14.3	4,868,000	14.9
	34,306,276	100.0	32,707,286	100.0

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

As at December 31, 2017, bonds have an average term to maturity of 5.1 years [2016 – 4.3 years] and a weighted average yield of 3.37% [2016 – 3.0%].

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

	2017	2016
	\$	\$
Interest and dividends	594,714	678,911
Realized gain on investments	1,574,559	1,526,551
Net change in unrealized gain on investments	360,243	681,367
Total investment income	2,529,516	2,886,829
Less safekeeping and investment management expenses	(179,793)	(170,890)
Investment income, net of safekeeping and investment management expenses	2,349,723	2,715,939
Less investment income related to:		
Federal government funding [note 5]	(1,687,513)	(1,971,535)
Alberta government funding [note 6]	(173,081)	(205,375)
Investment income recognized in revenue	489,129	539,029

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4. Capital assets

Capital assets consist of the following:

	2017		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Computer equipment	20,205	14,901	5,304
Office equipment	25,100	20,000	5,100
Leasehold improvements	6,871	4,834	2,037
	52,176	39,735	12,441

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

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

	2017	2016
	\$	\$
Balance, beginning of year	23,332,817	22,257,194
Interest and dividends	297,986	368,779
Realized gain on investments	1,130,809	1,108,143
Net change in unrealized gain on investments	258,718	494,613
Investment income for the year <i>[note 3]</i>	1,687,513	1,971,535
Amount recognized as revenue	(931,373)	(895,912)
Balance, end of year	24,088,957	23,332,817

As at December 31, 2017, the amount available for spending in future years is \$2,131,004 [2016 – \$1,633,582].

6. Alberta government funding

The Foundation received \$2,000,000 from the Alberta government in 2008 for the purpose of expanding the Alberta Gairdner Outreach Program. 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 Alberta Government funding balance are as follows:

	2017	2016
	\$	\$
Balance, beginning of year	2,393,152	2,318,535
Interest and dividends	30,563	38,416
Realized gain on investments	115,982	115,435
Net change in unrealized gain on investments	26,536	51,524
Investment income for the year <i>[note 3]</i>	173,081	205,375
Amount recognized as revenue	(127,503)	(130,758)
Balance, end of year	2,438,730	2,393,152

As at December 31, 2017, the amount available for spending in future years is \$235,011 [2016 – \$215,968].

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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 2017, the Board of Directors approved an interfund transfer from unrestricted to internally restricted net assets of \$676,177 [2016 – \$677,810]. 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:

	\$
2018	75,000
2019	37,500
	<u>112,500</u>

9. Financial instruments

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

Currency risk

The Foundation is exposed to 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.