

Financial Statements of

**BRAIN CANADA FOUNDATION**

Year ended December 31, 2016

# BRAIN CANADA FOUNDATION

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Brain Canada Foundation

We have audited the accompanying financial statements of Brain Canada Foundation, which comprise the statement of financial position as at December 31, 2016, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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 our 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, we 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.



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*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Brain Canada Foundation as at December 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*KPMG LLP\**

February 17, 2017

Montréal, Canada

# BRAIN CANADA FOUNDATION

## Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 17,984,431	\$ 18,796,901
Short-term investments	6,758,542	6,726,828
Accrued interest receivable	43,449	70,849
Advance payments on grants and awards	316,991	334,673
Grants and awards reimbursement receivable	–	274,850
Other receivables	149,012	80,872
Prepays and deposits	17,963	13,545
	<u>25,270,388</u>	<u>26,298,518</u>
Capital assets (note 3)	119,826	129,332
	<u>\$ 25,390,214</u>	<u>\$ 26,427,850</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 121,981	\$ 58,791
Salaries and benefits payable (note 4)	265,778	178,527
Current portion of deferred contributions (note 5)	15,031,239	12,618,404
	<u>15,418,998</u>	<u>12,855,722</u>
Deferred contributions (note 5)	9,864,450	13,465,362
	<u>25,283,448</u>	<u>26,321,084</u>
Net assets:		
Unrestricted net assets deficiency	(13,060)	(22,566)
Invested in capital assets	119,826	129,332
	<u>106,766</u>	<u>106,766</u>
Commitments (note 6)		
	<u>\$ 25,390,214</u>	<u>\$ 26,427,850</u>

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# BRAIN CANADA FOUNDATION

## Statement of Operations

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Revenues:		
Restricted contributions (note 5)	\$ 38,289,252	\$ 33,599,542
Unrestricted contributions	64,954	83,560
	<u>38,354,206</u>	<u>33,683,102</u>
Interest and investment income	59,211	19,630
	<u>38,413,417</u>	<u>33,702,732</u>
Expenditures:		
Grants and awards (schedule)	35,787,862	31,135,009
Operating expenses (schedule)	2,367,884	2,156,660
Administrative expenses charged by other organizations	222,252	376,532
Amortization of capital assets	35,419	34,531
	<u>38,413,417</u>	<u>33,702,732</u>
Excess of revenues over expenditures	\$ -	\$ -

See accompanying notes to financial statements.

# BRAIN CANADA FOUNDATION

## Statement of Changes in Net Assets

Year ended December 31, 2016, with comparative information for 2015

	Unrestricted	Invested in capital assets	Total 2016	Total 2015
Balance, beginning of year	\$ (22,566)	\$ 129,332	\$ 106,766	\$ 106,766
Excess of revenues over expenditures	35,419	(35,419) <sup>(i)</sup>	–	–
Acquisition of capital assets	(27,711)	27,711	–	–
Disposal of capital assets	1,798	(1,798)	–	–
Balance, end of year	\$ (13,060)	\$ 119,826	\$ 106,766	\$ 106,766

<sup>(i)</sup> Represents the amortization of capital assets.

See accompanying notes to financial statements.

# BRAIN CANADA FOUNDATION

## Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating:		
Excess of revenues over expenditures	\$ -	\$ -
Items not involving cash:		
Amortization of capital assets	35,419	34,531
Write-off of capital assets	1,011	-
Changes in non-cash components of operating working capital:		
Other receivables	(68,140)	(33,103)
Prepays and deposits	(4,418)	(5,810)
Grants and awards reimbursement receivable	274,850	(274,850)
Contributions receivable	-	20,000
Accounts payable and accrued liabilities	63,190	(25,935)
Salaries and benefits payable	87,251	75,977
	389,163	(209,190)
Financing:		
Contributions received	37,205,498	23,907,379
Contributions recognized into revenues	(38,348,493)	(33,599,542)
	(1,142,995)	(9,692,163)
Investing:		
Net (increase) decrease in short-term investments	(31,714)	22,644,800
Acquisition of capital assets	(27,711)	(62,680)
Proceeds from disposal of capital assets	787	-
	(58,638)	22,582,120
Net change in cash and cash equivalents	(812,470)	12,680,767
Cash and cash equivalents, beginning of year	18,796,901	6,116,134
Cash and cash equivalents, end of year	\$ 17,984,431	\$ 18,796,901
Supplemental non-cash information:		
Accrued interest receivable included in deferred contributions	\$ 43,449	\$ 70,849
Advance payments on grants and awards	17,682	35,134

See accompanying notes to financial statements.



# BRAIN CANADA FOUNDATION

Notes to Financial Statements

Year ended December 31, 2016

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The Brain Canada Foundation (the "Foundation") is a registered charity incorporated on August 30, 1997 under Part II of the *Canada Corporations Act*. It is a public foundation for federal and provincial tax purposes and is not subject to income taxes. On October 7, 2014, the Foundation obtained its articles of continuance under section 211 of the *Canada Not-for-Profit Corporations Act*.

The purpose and goals of the Foundation are to raise funds to foster advances in neuroscience discovery research and opening the way to better health care for those affected by neurological injury and disease. The objective of the Foundation is to use the funds raised to fund scientists affiliated with Canadian universities, hospitals or other academic institutions involved in research and development programs in world competitive neuroscience of nationwide scope.

## 1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the *CPA Canada Handbook*.

### (a) Cash and cash equivalents:

Cash and cash equivalents include cash in bank and highly liquid investments with an original maturity of three months or less at the date of acquisition.

### (b) Short-term investments:

The short-term investments consist of guaranteed investment certificates bearing interest at 0.70% with maturity dates between January and November 2017. According to the multi-year contribution agreement with the Minister of Health, the Foundation can only invest any excess cash from the Government of Canada in interest-bearing certificates of deposit or Treasury bills issued by the government.

### (c) Capital assets:

Computers, furniture and equipment are recorded at cost. Amortization is calculated using the declining balance method using a 30% annual rate.

Computer software is recorded at cost. Amortization is calculated using the straight-line method over three years.

Leasehold improvements are recorded at cost and amortized using the straight-line method over the remaining term of the lease agreement.

Artwork consists of paintings recorded at cost and not amortized due to their nature and virtually unlimited life.

# BRAIN CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2016

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## 1. Significant accounting policies (continued):

### (d) Revenue recognition:

The Foundation follows the deferral method of accounting for contributions. Externally restricted contributions relating to future period expenses are recognized as revenue in the year in which the related expenses are incurred. All other contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Foundation normally allocates, based on contribution agreements, up to 10% of contributions received during the year to fund operating expenses.

A contribution of assets other than cash is measured at the fair value at the date of the contribution.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

### (e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has not elected to carry any such financial instruments at fair value.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral.

If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

### (f) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

# BRAIN CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2016

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## 2. Contribution agreement and pledges:

During the year ended December 31, 2012, the Foundation signed a multi-year contribution agreement, expiring on March 31, 2017, with the Minister of Health. The purpose of the agreement is to support the establishment of the Canada Brain Research Fund, which will support the very best Canadian neuroscience researchers, in order to improve the health and quality of life of Canadians who suffer from brain disorders. The Minister of Health has agreed to match, dollar for dollar, the funding received from non-governmental sources up to a maximum of \$100,000,000 over a six-year campaign. Any funding that the Foundation fails to match, as defined in the agreement, shall be repayable to the Minister of Health. In addition, the Minister of Health acknowledges and agrees that up to 10% of the funding for each year may be used by the Foundation for operating expenses and for the design of the research program, as defined in the agreement.

On July 21, 2015, the Foundation signed an amendment to the multi-year contribution agreement with the Minister of Health. The expiry date was changed from March 31, 2017 to March 31, 2020. According to this amendment, the Foundation was to receive up to \$5,794,032 in 2016, \$29,949,108 in 2017 and \$25,923,591 in 2018.

On November 25, 2016, a second amendment to the multi-year contribution agreement was signed. According to this amendment, the Foundation received an amount of \$17,337,305 in 2016, and will receive amounts of \$19,000,000 in 2017 and \$21,674,646 in 2018. No funds shall be provided by the Minister of Health after 2018. In addition, the total funding from the Minister of Health must be spent prior to the expiration of the agreement. The Foundation may, however, spend matched funds received from non-governmental sources in years subsequent to the expiration of the agreement on successful proposals for research, provided that such proposals have been approved before the expiration of the agreement and that the Foundation continues to report to the Minister of Health with respect to such matched funds.

As at December 31, 2016, the Foundation received an amount totalling \$55,670,574 from the Minister of Health that matches, dollar for dollar, the funding received from non-governmental sources since the beginning of the agreement in April 2011.

In addition to the amounts received from the Minister of Health, the Foundation also received pledges from non-governmental sources. In 2015, the Foundation has reached its goal of \$100,000,000 in pledges for the matching campaign. Since the beginning of the agreement on April 1, 2011, a total of \$55,173,459 has been collected, of which \$19,647,445 was collected during 2016.

# BRAIN CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2016

## 3. Capital assets:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Computers	\$ 25,823	\$ 15,763	\$ 10,060	\$ 6,797
Furniture and equipment	71,523	29,376	42,147	37,811
Computer software for grants management	55,208	45,875	9,333	28,747
Leasehold improvements	3,312	216	3,096	–
Artwork	55,190	–	55,190	55,977
	\$ 211,056	\$ 91,230	\$ 119,826	\$ 129,332

## 4. Salaries and benefits payable:

Included in salaries and benefits payable are government remittances payable of \$4,790 (2015 - \$6,547), which include amounts payable for payroll-related taxes.

## 5. Deferred contributions:

Deferred contributions represent unspent externally restricted grants and donations for specific programs, which relate to future years.

	2016	2015
Balance, beginning of year	\$ 25,749,093	\$ 35,607,800
Contributions received from Minister of Health	17,337,305	6,180,793
Contributions received from non-governmental sources	19,647,445	17,253,745
Investment income on contributions	134,107	306,297
	37,118,857	23,740,835
Less amount recognized as revenues	(38,289,252)	(33,599,542)
Plus advance payments on grants and awards	316,991	334,673
Less current portion of deferred contributions	(15,031,239)	(12,618,404)
	\$ 9,864,450	\$ 13,465,362

# BRAIN CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2016

## 6. Programs and commitments:

### (a) Programs:

The Canada Brain Research Fund was developed with the purpose of supporting excellent Canadian brain researchers based at universities, hospitals and institutes across the country. A summary of the remaining and ongoing programs, as well as the related commitments, are as follows:

	Research funding committed by the Partner	Research funding committed by Brain Canada	Funds disbursed in prior years	Funds disbursed in 2016	Balance to be disbursed	2017	2018	2019	2020	2021	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Multi-Investor Research Initiative ("MIRI") Consortium québécois sur la découverte de médicament ("CQDM") and Ontario Brain Institute ("OBI") "Focus on Brain"	25,806,715	25,806,715	15,462,093	11,040,390	25,110,748	16,068,244	6,604,394	2,438,110	–	–	25,110,748
Platform Support Grants	5,022,865	5,022,865	7,068,722	467,868	2,509,340	888,902	925,836	694,602	–	–	2,509,340
CIFAR – global call for ideas	20,307,917	20,307,917	5,063,835	11,581,801	23,970,198	13,299,724	9,760,716	909,758	–	–	23,970,198
Chagnon Family - Alzheimer's disease and related dementias - MIRI	9,500,000	9,500,000	3,550,139	1,945,956	13,503,905	4,495,001	4,180,000	4,828,904	–	–	13,503,905
Azrieli Neurodevelopmental Research Program - MIRI	4,998,044	4,998,044	2,820,223	–	7,175,865	1,968,473	2,351,138	2,686,582	169,672	–	7,175,865
Alzheimer Society of Canada research program	7,594,561	7,594,561	3,080,508	3,565,663	8,542,951	3,825,891	3,703,847	1,013,213	–	–	8,542,951
ALS Society of Canada research programs	673,700	673,700	93,662	131,002	1,122,736	449,133	449,133	224,470	–	–	1,122,736
Canadian Cancer Society research programs	9,027,339	9,027,339	540,821	3,025,048	14,488,809	4,585,362	4,052,082	2,859,199	2,620,618	371,548	14,488,809
CIBC training awards	3,094,073	3,094,073	997,630	1,237,629	3,952,887	1,237,629	1,237,629	1,237,629	240,000	–	3,952,887
Bell training awards	457,500	457,500	730,833	94,167	90,000	90,000	–	–	–	–	90,000
Kids Write Network evaluation	453,750	453,750	870,862	–	36,638	36,638	–	–	–	–	36,638
Alzheimer's Association research programs	95,193	95,193	100,000	–	90,386	90,386	–	–	–	–	90,386
Heart and Stroke Foundation research programs	192,732	192,732	–	192,732	192,732	192,732	–	–	–	–	192,732
RBC-Research Partnership in Mental Health	806,374	806,374	–	509,944	1,102,804	551,402	551,402	–	–	–	1,102,804
National Institutes of Health-BRAIN Initiative	454,999	454,999	–	486,667	423,331	313,542	109,789	–	–	–	423,331
Huntington Society of Canada research program	690,000	690,000	–	655,000	725,000	656,000	69,000	–	–	–	725,000
WBHI - Knowledge translation and exchange	220,498	220,498	–	440,995	–	–	–	–	–	–	–
Others	450,000	450,000	–	75,000	825,000	300,000	300,000	225,000	–	–	825,000
	203,000	203,000	–	306,000	100,000	100,000	–	–	–	–	100,000
	16,000	16,000	–	32,000	–	–	–	–	–	–	–
	90,065,260	90,065,260	40,379,328	35,787,862	103,963,330	49,149,059	34,294,966	17,117,467	3,030,290	371,548	103,963,330

# BRAIN CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2016

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## 6. Programs and commitments (continued):

### (b) Commitments:

The Foundation is committed under an operating lease for the rental of its business premises. The minimum payments required, including common area costs, over the next four years and in total are as follows:

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2017	\$ 197,300
2018	202,800
2019	208,400
2020	17,100
	<hr/>
	\$ 625,600

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## 7. Financial risks:

### (a) Liquidity risk:

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements. The Foundation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

### (b) Interest rate risk:

The Foundation is exposed to interest rate risk on its fixed-interest rate investments because they expose the Foundation to a fair value risk. However, this risk is mitigated by the fact that the short-term investments mature in the short term.

## 8. Comparative information:

Certain comparative information has been reclassified to conform with the current year's presentation.

# BRAIN CANADA FOUNDATION

## Schedule - Grants and Awards Expenses and Operating Expenses

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Grants and awards:		
Platform Support Grants	\$ 11,581,801	\$ 4,988,845
Multi-Investigator Research Initiative ("MIRI")	11,040,390	9,278,205
Azrieli Neurodevelopmental Research Program - MIRI	3,565,663	1,708,168
ALS Society of Canada research programs	3,025,048	663,285
CIFAR - global call for ideas	1,945,956	3,550,138
Canadian Cancer Society research programs	1,237,629	997,630
Kids Brain Health network training awards	655,000	-
Heart and Stroke Foundation research programs	509,944	-
RBC - Research Partnership in Mental Health	486,667	-
CQDM/OBI - Focus on Brain Program	467,868	7,422,368
National Institutes of Health - BRAIN Initiative	440,995	-
WBHI - Knowledge translation and exchange	306,000	-
Alzheimer's Association research programs	192,732	-
Alzheimer Society of Canada research program	131,002	93,662
CIBC training awards	94,167	286,667
Huntington Society of Canada research program	75,000	-
Others	32,000	1,843
Chagnon Family - Alzheimer's disease and related dementias - MIRI	-	1,724,169
Bell training awards	-	270,029
Kids Write Network evaluation	-	100,000
Barbara Turnbull Award	-	50,000
	<b>\$ 35,787,862</b>	<b>\$ 31,135,009</b>
Operating:		
Salaries and wage levies	\$ 1,246,192	\$ 1,049,317
Communications	291,051	256,410
Professional fees	166,286	168,757
Rent	157,689	150,385
Programs expenses	152,527	224,314
Administration	92,985	32,938
Travel	62,403	66,808
Website	60,082	14,096
Board	52,718	60,719
Science consulting fees	33,463	63,641
Office expenses	23,559	32,779
Fundraising and partnership activities	18,558	27,720
Insurance	10,371	8,776
	<b>\$ 2,367,884</b>	<b>\$ 2,156,660</b>