

Financial Statements of

# **BRAIN CANADA FOUNDATION**

Years ended December 31, 2012 and 2011 and as at January 1, 2011

# 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 statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, the statements of operations and changes in net assets and cash flows for the years ended December 31, 2012 and December 31, 2011, 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 audits. We conducted our audits 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 in our audits 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, 2012, December 31, 2011 and January 1, 2011, and its results of operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

*KPMG LLP\**

February 22, 2013

Montréal, Canada

# BRAIN CANADA FOUNDATION

## Statements of Financial Position

December 31, 2012, December 31, 2011 and January 1, 2011

	December 31, 2012	December 31, 2011	January 1, 2011
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 13,463,903	\$ 2,000	\$ 2,268
Short-term investment	10,113,287	–	–
Receivables	31,510	–	–
	<b>\$ 23,608,700</b>	<b>\$ 2,000</b>	<b>\$ 2,268</b>

## Liabilities and Net Assets

Current liabilities:			
Payable to NeuroScience Canada Partnership	\$ 793,924	\$ –	\$ –
Non-current liabilities:			
Deferred contributions (note 3)	22,812,935	–	–
Net assets:			
Unrestricted net assets	1,841	2,000	2,268
	<b>\$ 23,608,700</b>	<b>\$ 2,000</b>	<b>\$ 2,268</b>

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# BRAIN CANADA FOUNDATION

## Statements of Operations and Changes in Net Assets

Years ended December 31, 2012 and 2011

	2012	2011
Revenues:		
Restricted contributions	\$ 3,512,447	\$ 688,005
Expenditures:		
Grants and awards (note 4)	3,512,447	688,005
Operating expenses	159	268
	<u>3,512,606</u>	<u>688,273</u>
Excess of expenditures over revenues	(159)	(268)
Unrestricted net assets, beginning of year	2,000	2,268
Unrestricted net assets, end of year	<u>\$ 1,841</u>	<u>\$ 2,000</u>

See accompanying notes to financial statements.

# BRAIN CANADA FOUNDATION

## Statements of Cash Flows

Years ended December 31, 2012 and 2011

	2012	2011
Cash provided by (used in):		
Operating:		
Excess of expenditures over revenues	\$ (159)	\$ (268)
Changes in non-cash components of operating working capital:		
Receivables	(31,510)	–
Payable to NeuroScience Canada Partnership	793,924	–
	762,255	(268)
Financing:		
Increase in deferred contributions	26,325,382	–
Contributions for the year	(3,512,447)	–
	22,812,935	–
Investing:		
Increase in short-term investment	(10,113,287)	–
Net increase (decrease) in cash and cash equivalents	13,461,903	(268)
Cash and cash equivalents, beginning of year	2,000	2,268
Cash and cash equivalents, end of year	\$ 13,463,903	\$ 2,000

See accompanying notes to financial statements.

# BRAIN CANADA FOUNDATION

## Notes to Financial Statements

Years ended December 31, 2012 and 2011 and as at January 1, 2011

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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.

The purpose and goals of the Foundation are to raise funds to foster advances in neuroscience discovery research, opening the way to better health care for those affected by neurological injury and disease.

On January 1, 2012, the Foundation adopted Canadian Accounting Standards for Not-For-Profit Standards in Part III of the CICA Handbook. These are the first financial statements prepared in accordance with Not-For-Profit Standards.

In accordance with the transitional provisions in Not-For-Profit Standards, the Foundation has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is January 1, 2011 and all comparative information provided has been presented by applying Not-For-Profit Standards.

The transition has not resulted in any changes to net assets as at January 1, 2011 or excess of expenditures over revenue for the year ended December 31, 2011.

### 1. Significant accounting policies:

#### (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. As at December 31, 2012 and 2011 and January 1, 2011, there were no cash equivalents.

#### (b) Short-term investments:

The short-term investments consist of a guaranteed investment certificate bearing interest at a rate of 1.75% and with a maturity date of May 2013.

#### (c) 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.

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.

# BRAIN CANADA FOUNDATION

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011 and as at January 1, 2011

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## 1. Significant accounting policies (continued):

### (d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. 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.

### (e) Related party transactions:

Monetary related party transactions and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of business, except when the transaction is an exchange of a product or property held for sale in the normal course of operations. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount.

All other related party transactions are measured at the carrying amount.

### (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 revenue and expenses during the year. Actual results could differ from those estimates.

# BRAIN CANADA FOUNDATION

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011 and as at January 1, 2011

## 2. Contribution agreement and pledges:

During the year ended December 31, 2012, the Foundation signed a multi-year contribution agreement 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, 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. The agreement expires on March 31, 2017.

In 2012, the Foundation received an amount of \$20,000,000 from the Minister of Health to cover the twelve-month periods ended March 31, 2012 and 2013.

In addition to the amounts received from the Minister of Health, the Foundation also received pledges from non-governmental sources. To date, the Foundation has received total pledges for the matching campaign of \$22,400,000. Since the beginning of the agreement at April 1, 2011, a total of \$6,747,567 has been collected, \$6,121,598 of which was collected during 2012.

## 3. Deferred contributions:

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations for specific programs.

	December 31, 2012	December 31, 2011	January 1, 2011
Balance, beginning of year	\$ -	\$ -	\$ -
Contributions received from the Minister of Health	20,000,000	-	-
Contributions received from non-governmental sources	6,121,598	-	-
Investment revenue on contributions from the Minister of Health	203,784	-	-
Less amount recognized as revenue	(3,512,447)	-	-
	<u>\$ 22,812,935</u>	<u>\$ -</u>	<u>\$ -</u>

# BRAIN CANADA FOUNDATION

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011 and as at January 1, 2011

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## 4. Related party transactions:

The Foundation is affiliated with the NeuroScience Canada Partnership (“NeuroScience Canada”), which was established as a philanthropic organization to foster research and knowledge in neuroscience by supporting innovative researchers in Canadian universities and institutes. The activities of the Foundation and NeuroScience Canada are closely coordinated and under common control. During the year, the Foundation has granted an amount of \$3,512,447 (2011 - \$688,005) to NeuroScience Canada to carry out the work supported by their donors.

## 5. 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. There has been no change to the risk exposures from 2011.

### (b) Interest rate risk:

The Foundation is exposed to interest rate risk on its fixed interest rate investment. Fixed-rate instruments subject the Foundation to a fair value risk, however this risk is mitigated by the fact that the short-term investment matures in the short term.