

Financial Statements of

# **NEUROSCIENCE CANADA PARTNERSHIP**

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

# NEUROSCIENCE CANADA PARTNERSHIP

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of NeuroScience Canada Partnership

We have audited the accompanying financial statements of NeuroScience Canada Partnership, which comprise the statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, the statements of operations, 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 NeuroScience Canada Partnership 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

# NEUROSCIENCE CANADA PARTNERSHIP

## 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	\$ 1,322,549	\$ 97,923	\$ 169,534
Term deposits (note 2)	400,000	290,000	45,000
Receivable from Brain Canada Foundation	793,924	–	–
Other receivables	26,751	19,871	14,219
Prepays and deposits	74,191	48,554	23,674
	<u>2,617,415</u>	<u>456,348</u>	<u>252,427</u>
Computer equipment (note 3)	7,068	1,858	1,240
Investments (note 4)	–	128,571	187,911
	<u>\$ 2,624,483</u>	<u>\$ 586,777</u>	<u>\$ 441,578</u>

## Liabilities and Net Assets

Current liabilities:			
Accounts payable and accrued liabilities	\$ 152,926	\$ 22,449	\$ 24,203
Salaries and bonus payable (note 5)	77,033	–	–
Deferred contributions (note 6)	2,288,992	330,225	27,780
	<u>2,518,951</u>	<u>352,674</u>	<u>51,983</u>
Net assets:			
Unrestricted net assets	98,464	232,245	388,355
Invested in computer equipment	7,068	1,858	1,240
	<u>105,532</u>	<u>234,103</u>	<u>389,595</u>
	<u>\$ 2,624,483</u>	<u>\$ 586,777</u>	<u>\$ 441,578</u>

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# NEUROSCIENCE CANADA PARTNERSHIP

## Statements of Operations

Years ended December 31, 2012 and 2011

	2012	2011
Revenues:		
Contributions (note 6):		
Brain Canada Foundation	\$ 3,512,447	\$ 688,005
Less deferred amount	(1,998,767)	(302,445)
	<u>1,513,680</u>	<u>385,560</u>
Other contributions	24,315	24,370
	<u>1,537,995</u>	<u>409,930</u>
Interest income	4,006	863
	<u>1,542,001</u>	<u>410,793</u>
Expenditures:		
Grants and awards (schedule 1)	452,115	78,513
Operating (schedule 2)	1,087,965	427,726
Amortization of computer equipment	1,921	706
	<u>1,542,001</u>	<u>506,945</u>
Excess of expenditures over revenues before the undernoted	–	(96,152)
Unrealized loss from investments measured at fair value	(128,571)	(59,340)
Excess of expenditures over revenues	<u>\$ (128,571)</u>	<u>\$ (155,492)</u>

See accompanying notes to financial statements.

# NEUROSCIENCE CANADA PARTNERSHIP

## Statements of Changes in Net Assets

Years ended December 31, 2012 and 2011

	Invested in computer equipment	Unrestricted	Total 2012	Total 2011
Balance, beginning of year	\$ 1,858	\$ 232,245	\$ 234,103	\$ 389,595
Excess of expenditures over revenues	(1,921)	(126,650)	(128,571)	(155,492)
Acquisition of computer equipment	7,131	(7,131)	–	–
Balance, end of year	\$ 7,068	\$ 98,464	\$ 105,532	\$ 234,103

See accompanying notes to financial statements.

# NEUROSCIENCE CANADA PARTNERSHIP

## Statements of Cash Flows

Years ended December 31, 2012 and 2011

	2012	2011
Cash provided by (used in):		
Operating:		
Excess of expenditures over revenues	\$ (128,571)	\$ (155,492)
Items not involving cash:		
Amortization of computer equipment	1,921	706
Change in fair value of investments	128,571	59,340
Changes in non-cash components of operating working capital:		
Receivable from Brain Canada Foundation	(793,924)	–
Other receivables	(6,880)	(5,652)
Prepays and deposits	(25,637)	(24,880)
Accounts payable and accrued liabilities	130,477	(1,754)
Deferred contributions	1,958,767	302,445
Salaries and bonus payable	77,033	–
	<u>1,341,757</u>	<u>174,713</u>
Investing:		
Acquisition of computer equipment	(7,131)	(1,324)
Purchase of term deposits	(110,000)	(245,000)
	<u>(117,131)</u>	<u>(246,324)</u>
Net increase (decrease) in cash and cash equivalents	1,224,626	(71,611)
Cash and cash equivalents, beginning of year	97,923	169,534
Cash and cash equivalents, end of year	<u>\$ 1,322,549</u>	<u>\$ 97,923</u>

See accompanying notes to financial statements.



# NEUROSCIENCE CANADA PARTNERSHIP

## Notes to Financial Statements

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

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NeuroScience Canada Partnership (“NeuroScience Canada”) is a registered charity incorporated without share capital under Part II of the *Canada Corporations Act* on May 19, 2000. NeuroScience Canada is a charitable organization for federal and provincial tax purposes and is not subject to income taxes.

NeuroScience Canada grants funds raised through the Brain Canada Foundation to neuroscience researchers. The objectives of NeuroScience Canada are 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.

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.

A summary of transitional adjustments recorded to net assets and excess of expenditures over revenue is provided in note 10.

### 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) Computer equipment:

Computer equipment is recorded at cost. Amortization is calculated using the declining balance method using a 30% annual rate.

#### (c) Investments:

The investments in equity instruments that are quoted in an active market are measured at fair value. All other investments are measured at amortized cost.

The income or loss on investments measured at fair value is included in the excess of expenditures over revenue.

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for estimated future selling costs.

# NEUROSCIENCE CANADA PARTNERSHIP

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) Revenue recognition:

NeuroScience Canada 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.

NeuroScience Canada normally allocates 10% to 15% of contributions received during the year to fund operating expenses.

Investment income earned from externally restricted contributions is recognized as operating revenue unless otherwise specified by the donors.

### (e) Use of estimates:

The preparation of 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 reporting periods. Actual results could differ from those estimates.

### (f) 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.

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, NeuroScience Canada 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 NeuroScience Canada 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.

# NEUROSCIENCE CANADA PARTNERSHIP

Notes to Financial Statements (continued)

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

## 1. Significant accounting policies (continued):

### (g) 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.

## 2. Term deposits:

	December 31, 2012	December 31, 2011	January 1, 2011
Guaranteed investment certificate, bearing interest at 1%, maturing in April 2013	\$ 400,000	\$ –	\$ –
Guaranteed investment certificate, bearing interest at 1%, matured in November 2012	–	250,000	–
Guaranteed investment certificate, bearing interest at 0.85%, matured in January 2012	–	40,000	–
Guaranteed investment certificate, bearing interest at 0.30%, matured in January 2011	–	–	45,000
	\$ 400,000	\$ 290,000	\$ 45,000

## 3. Computer equipment:

December 31, 2012	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 12,312	\$ 5,244	\$ 7,068

# NEUROSCIENCE CANADA PARTNERSHIP

Notes to Financial Statements (continued)

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

### 3. Computer equipment (continued):

December 31, 2011	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 5,181	\$ 3,323	\$ 1,858

January 1, 2011	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 3,857	\$ 2,617	\$ 1,240

### 4. Investments:

	December 31, 2012	December 31, 2011	January 1, 2011
Investment in Allon Therapeutics Inc. <sup>(i)</sup> : 494,500 common shares, representing 0.7662% of the weighted average number of common shares outstanding	\$ –	\$ 128,570	\$ 187,910
Investment in Aegera Therapeutics Inc. <sup>(ii)</sup> : 12,651 common shares, representing 0.65% of shares issued	–	1	1
	\$ –	\$ 128,571	\$ 187,911

<sup>(i)</sup> Original cost of investment of \$750 for 626,000 shares.

<sup>(ii)</sup> Private investment measured at cost (note 1 (c)).

### 5. Salaries and bonus payable:

Included in salaries and bonus payable are government remittances payable of \$3,018 (2011 - nil), which include amounts payable for payroll-related taxes.

# NEUROSCIENCE CANADA PARTNERSHIP

Notes to Financial Statements (continued)

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

## 6. Deferred contributions:

Deferred contributions represent unspent externally restricted resources, which are related to future periods.

	December 31, 2012	December 31, 2011	January 1, 2011
Balance, beginning of year	\$ 330,225	\$ 27,780	\$ 278,384
Contributions from Brain Canada Foundation	3,512,447	688,005	607,964
Less: amount recognized as revenue	(1,513,680)	(385,560)	(858,568)
Less: contribution reimbursed during the year	(40,000)	—	—
Balance, end of year	\$ 2,288,992	\$ 330,225	\$ 27,780

## 7. Programs and commitments:

National Brain Repair Fund:

The National Brain Repair Fund was developed with the purpose of supporting excellent Canadian neuroscience researchers based at universities, hospitals and institutes across the country.

(a) Brain Repair Program:

The Brain Repair Program was launched in November 2003. Through this program, NeuroScience Canada and its partners funded five multidisciplinary and multi-institutional teams of Canadian researchers focused on brain repair. Each team received \$1.5 million over three years (\$500,000 per year paid in quarterly installments). The first three teams commenced funding October 1, 2004; the final two teams commenced funding on July 1, 2007. In addition to the grant funds, an allowance of up to \$20,000 per year over the same period was provided for networking. Brain repair is a new field of scientific endeavor that is exploring means of enhancing the brain's ability to be repaired or to repair itself.

In 2011, a donor committed to providing half the funding to support one of the Brain Repair Program teams for an additional three years, the other half to be provided through the Contribution agreement with the Minister of Health (note 8). A total of \$425,000 was provided to this team in 2012 (2011 - \$70,833).

As part of the Brain Repair Program, the MHM Van Tol Travel Fellowship is awarded to a post-doctoral or trainee in the lab of one of the currently funded Brain Repair Program teams. The value is up to \$5,000 (depending on the cost of the conference/symposium or training course outside of Canada). In 2012, \$2,115 was provided to the recipient (2011 - \$4,180).

# NEUROSCIENCE CANADA PARTNERSHIP

Notes to Financial Statements (continued)

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

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## 7. Programs and commitments (continued):

### (b) Barbara Turnbull Award:

The Barbara Turnbull Award is intended to recognize an outstanding researcher who has contributed to the advancement of world leading spinal cord research conducted in Canada. In 2012, \$25,000 (2011 - \$3,500 was contributed towards the 10-year anniversary event) was provided for this award, half of which was provided by The Barbara Turnbull Foundation.

## 8. Related party transactions:

NeuroScience Canada is affiliated with the Brain Canada Foundation (the "Foundation"). The activities of the Foundation and NeuroScience Canada are closely coordinated and under common control. The Foundation's funds were granted to NeuroScience Canada to carry out the work supported by their donors and amounted to \$3,512,447 (2011 - \$688,005).

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. The contributions received by the Foundation will be transferred to NeuroScience Canada.

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 March 31, 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.

# NEUROSCIENCE CANADA PARTNERSHIP

Notes to Financial Statements (continued)

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

## 8. Related party transactions (continued):

As at December 31, 2012 and 2011 and January 1, 2011, the net assets, revenues and expenditures of the Foundation are as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Cash and cash equivalents	\$ 13,463,903	\$ 2,000	\$ 2,268
Short-term investments	10,113,287	—	—
Deferred contributions	22,812,935	—	—
Revenues	3,512,447	688,005	607,964
Donations to NeuroScience Canada	3,512,447	688,005	607,964
Operating expenses	159	268	140

## 9. Financial risks:

### (a) Liquidity risk:

Liquidity risk is the risk that NeuroScience Canada will be unable to fulfill its obligations on a timely basis or at a reasonable cost. NeuroScience Canada manages its liquidity risk by monitoring its operating requirements. NeuroScience Canada 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:

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

## 10. Transitional adjustments:

As a result of the retrospective application of not-for-profit standards, NeuroScience Canada recorded the following adjustment to excess of expenditures over revenue for the year ended December 31, 2011:

Excess of expenditures over revenue:	
As previously reported under Canadian generally accepted accounting principles for year ended December 31, 2011	\$ (96,152)
Loss from investments carried at fair value previously recorded as an adjustment to net assets	(59,340)
Restated for the year ended December 31, 2011	\$ (155,492)

# NEUROSCIENCE CANADA PARTNERSHIP

Schedules - Grants and Awards Expenses and Operating Expenses

Years ended December 31, 2012 and 2011

	2012	2011
<b>Schedule 1 - Grants and awards:</b>		
Brain Repair Program - Dr. David Park	\$ 425,000	\$ 70,833
Barbara Turnbull Award	25,000	3,500
Brain Repair Program - MHM Van Tol Award	2,115	4,180
	<b>\$ 452,115</b>	<b>\$ 78,513</b>
<b>Schedule 2 - Operating:</b>		
Salary and wage levies	\$ 624,703	\$ 123,098
Professional fees	132,968	12,006
Fundraising campaign	100,973	153,188
Travel	83,249	25,765
Communications material	56,324	50,368
Administration	29,358	14,035
Rent	16,961	16,763
Board meetings	13,399	7,192
Office	12,029	10,203
Scientific consulting fees	9,635	7,428
Directors' liability insurance	8,059	7,439
Website	307	241
	<b>\$ 1,087,965</b>	<b>\$ 427,726</b>