

Financial Statements of

BRAIN CANADA FOUNDATION

Year ended December 31, 2017

BRAIN CANADA FOUNDATION

Table of Contents

	Page
Independent Auditors' Report	
Statement of Financial Position	1
Statement of Operations	2
Statement of Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 10
Schedule - Grants and Awards Expenses and Operating Expenses	11



KPMG LLP
600 de Maisonneuve Blvd. West
Suite 1500, Tour KPMG
Montréal (Québec) H3A 0A3
Canada

Telephone (514) 840-2100
Fax (514) 840-2187
Internet www.kpmg.ca

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, 2017, 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.



Page 2

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Brain Canada Foundation as at December 31, 2017, 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**

March 28, 2018

Montréal, Canada

BRAIN CANADA FOUNDATION

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 24,683,912	\$ 17,984,431
Short-term investments	3,152,299	6,758,542
Accrued interest receivable	61,911	43,449
Advance payments on grants and awards	92,500	248,490
Other receivables	19,259	149,012
Prepays and deposits	27,011	17,963
	<u>28,036,892</u>	<u>25,201,887</u>
Long-term investments	1,700,000	-
Advance payments on grants and awards	182,000	68,501
Capital assets (note 3)	100,150	119,826
	<u>\$ 30,019,042</u>	<u>\$ 25,390,214</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 60,001	\$ 121,981
Salaries and benefits payable (note 4)	306,200	265,778
Current portion of deferred contributions (note 5)	24,715,742	15,031,239
	<u>25,081,943</u>	<u>15,418,998</u>
Deferred contributions (note 5)	4,830,333	9,864,450
	<u>29,912,276</u>	<u>25,283,448</u>
Net assets:		
Unrestricted net assets (deficiency)	6,616	(13,060)
Invested in capital assets	100,150	119,826
	<u>106,766</u>	<u>106,766</u>
Commitments (note 6(b))		
	<u>\$ 30,019,042</u>	<u>\$ 25,390,214</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

BRAIN CANADA FOUNDATION

Statement of Operations

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Revenues:		
Restricted contributions (note 5)	\$ 44,930,050	\$ 38,289,252
Unrestricted contributions	161,856	64,954
	<u>45,091,906</u>	<u>38,354,206</u>
Interest and investment income	174,166	59,211
	<u>45,266,072</u>	<u>38,413,417</u>
Expenditures:		
Grants and awards (schedule)	42,527,060	35,787,862
Operating expenses (schedule)	2,495,312	2,367,884
Administrative expenses charged by other organizations	215,857	222,252
Amortization of capital assets	27,843	35,419
	<u>45,266,072</u>	<u>38,413,417</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, 2017, with comparative information for 2016

	Unrestricted	Invested in capital assets	Total 2017	Total 2016
Balance, beginning of year	\$ (13,060)	\$ 119,826	\$ 106,766	\$ 106,766
Excess of revenues over expenditures (expenditures over revenues)	27,843	(27,843) ⁽ⁱ⁾	-	-
Acquisition of capital assets	(8,770)	8,770	-	-
Write-off of capital assets	603	(603)	-	-
Balance, end of year	\$ 6,616	\$ 100,150	\$ 106,766	\$ 106,766

⁽ⁱ⁾ Represents the amortization of capital assets.

See accompanying notes to financial statements.

BRAIN CANADA FOUNDATION

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating:		
Excess of revenues over expenditures	\$ —	\$ —
Items not involving cash:		
Amortization of capital assets	27,843	35,419
Write-off of capital assets	603	1,011
Changes in non-cash components of operating working capital:		
Other receivables	129,753	(68,140)
Prepays and deposits	(9,048)	(4,418)
Grants and awards reimbursement receivable	—	274,850
Accounts payable and accrued liabilities	(61,980)	63,190
Salaries and benefits payable	40,422	87,251
	<u>127,593</u>	<u>389,163</u>
Financing:		
Contributions received	49,604,465	37,146,257
Contributions recognized into revenues	(44,930,050)	(38,289,252)
	<u>4,674,415</u>	<u>(1,142,995)</u>
Investing:		
Net decrease (increase) in investments	1,906,243	(31,714)
Acquisition of capital assets	(8,770)	(27,711)
Proceeds from disposal of capital assets	—	787
	<u>1,897,473</u>	<u>(58,638)</u>
Net change in cash and cash equivalents	6,699,481	(812,470)
Cash and cash equivalents, beginning of year	17,984,431	18,796,901
Cash and cash equivalents, end of year	<u>\$ 24,683,912</u>	<u>\$ 17,984,431</u>
Supplemental non-cash information:		
Accrued interest receivable included in deferred contributions	\$ 61,911	\$ 43,449
Advance payments on grants and awards	42,491	17,682

See accompanying notes to financial statements.

BRAIN CANADA FOUNDATION

Notes to Financial Statements

Year ended December 31, 2017

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) Investments:

The investments consist of guaranteed investment certificates bearing interest between 0.85% and 1.45% with maturity dates between July 2018 and January 2019. 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, 2017

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, 2017

2. Contribution agreement and pledges:

On March 17, 2017, the Foundation signed a new contribution agreement replacing the multi-year contribution agreement and amendments previously signed with the Minister of Health effective on April 1, 2011. 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 \$120,000,000. 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. Under this agreement, the Foundation was to receive \$24,992,085 in 2016-2017, \$27,000,000 in 2017-2018 and \$29,674,646 in 2018-2019. No funds shall be received from the Minister of Health after April 1, 2019.

On December 12, 2017, the agreement was amended. According to this amendment, the Foundation received \$27,654,780 in 2017 and will receive \$23,500,000 in 2018 and \$13,174,646 in 2019.

As at December 31, 2017, the Foundation received an amount totaling \$83,325,354 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. Since the beginning of the agreement on April 1, 2011, a total of \$77,046,796 has been collected, of which \$21,873,337 was collected during 2017.

3. Capital assets:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Computers	\$ 25,242	\$ 14,556	\$ 10,686	\$ 10,060
Furniture and equipment	74,415	42,382	32,033	42,147
Computer software for grants management	55,208	55,031	177	9,333
Leasehold improvements	3,312	1,248	2,064	3,096
Artwork	55,190	-	55,190	55,190
	\$ 213,367	\$ 113,217	\$ 100,150	\$ 119,826

BRAIN CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

4. Salaries and benefits payable:

Included in salaries and benefits payable are government remittances payable of \$2,497 (2016 - \$4,790), 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.

	2017	2016
Balance, beginning of year	\$ 24,578,698	\$ 25,749,093
Contributions received from Minister of Health	27,654,780	17,337,305
Contributions received from non-governmental sources	21,873,337	19,647,445
Investment income on contributions	94,810	134,107
	49,622,927	37,118,857
Less amount recognized as revenues	(44,930,050)	(38,289,252)
Plus advance payments on grants and awards	274,500	316,991
Less current portion of deferred contributions	(24,715,742)	(15,031,239)
	\$ 4,830,333	\$ 9,864,450

BRAIN CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

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 2017	Partners funds sent directly to the Host Institution	Balance to be disbursed	2018	2019	2020	2021	2022	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Multi-Investor Research Initiative ("MIRI")	26,032,630	24,642,950	26,490,818	12,827,852	-	11,356,910	7,317,145	3,444,730	595,035	-	-	11,356,910
Consortium québécois sur la découverte de médicament ("CQDM") and Ontario Brain Institute ("OBI") "Focus on Brain"	6,043,433	6,043,433	7,536,590	527,145	487,188	3,535,943	2,055,192	1,237,716	243,034	-	-	3,535,942
Platform Support Grants	20,856,778	19,759,054	16,645,636	10,360,462	-	13,609,734	9,962,560	3,647,176	-	-	-	13,609,736
Canadian Institute for Advanced Research Initiative	9,500,000	9,500,000	5,496,095	4,868,974	-	8,634,931	4,750,000	3,884,931	-	-	-	8,634,931
Chagnon Family - Alzheimer's disease and related dementias - MIRI	4,998,044	4,998,044	2,820,223	2,350,584	-	4,825,281	2,235,258	1,806,326	783,697	-	-	4,825,281
Azrieli Neurodevelopmental Research Program - MIRI	6,776,978	6,776,978	6,646,171	2,770,037	-	4,137,748	3,420,564	717,185	-	-	-	4,137,749
Alzheimer Society of Canada research program	673,700	673,700	224,665	617,530	-	505,205	392,971	112,234	-	-	-	505,205
ALS Society of Canada research programs	9,991,058	9,991,058	3,565,869	3,546,272	-	12,869,975	4,719,289	3,798,112	2,864,574	1,458,296	29,704	12,869,975
Canadian Cancer Society research programs	4,309,538	4,309,538	2,235,259	2,016,662	-	4,367,155	2,010,807	1,581,308	520,521	248,456	6,062	4,367,154
CIBC training awards	457,500	457,500	825,000	15,000	-	75,000	75,000	-	-	-	-	75,000
Bell training awards	453,750	453,750	870,862	-	-	36,638	36,638	-	-	-	-	36,638
Jewish General Hospital Foundation	95,193	95,193	100,000	40,480	40,480	9,426	9,425	-	-	-	-	9,425
Alzheimer's Association research programs	540,394	447,226	192,732	199,167	75,050	520,671	275,262	152,243	93,166	-	-	520,671
Heart and Stroke Foundation research programs	806,374	806,374	509,944	452,873	-	649,931	649,930	-	-	-	-	649,930
RBC-Research Partnership in Mental Health	454,999	454,999	486,667	-	-	423,331	368,435	54,895	-	-	-	423,330
NeuroDevNet Training Awards	673,330	673,330	655,000	499,993	-	191,667	191,666	-	-	-	-	191,666
National Institutes of Health-BRAIN Initiative	431,098	431,098	440,996	-	-	421,200	210,600	210,600	-	-	-	421,200
Huntington Society of Canada research program	950,000	950,000	75,000	400,000	-	1,425,000	633,500	633,000	158,500	-	-	1,425,000
Women's Brain Health Initiative	612,000	612,000	306,000	879,100	-	38,900	38,900	-	-	-	-	38,900
MHCC/Medavie Blue Cross	74,600	74,600	-	141,740	-	7,460	7,460	-	-	-	-	7,460
Capitalize for Kids	75,000	75,000	-	-	-	150,000	150,000	-	-	-	-	150,000
Others	41,820	41,820	32,000	13,189	-	38,451	15,000	15,000	8,454	-	-	38,454
	94,848,217	92,267,645	76,155,527	42,527,060	602,718	67,830,557	39,525,602	21,295,456	5,266,981	1,706,752	35,766	67,830,557

BRAIN CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

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 five years and in total are as follows:

2018	\$ 221,496
2019	252,834
2020	67,982
2021	52,528
2022	4,388
	<hr/>
	\$ 599,228

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, 2017, with comparative information for 2016

	2017	2016
Grants and awards:		
Multi-Investigator Research Initiative ("MIRI")	\$ 12,827,852	\$ 11,040,390
Platform Support Grants	10,360,462	11,581,801
CIFAR - global call for ideas	4,868,974	1,945,956
ALS Society of Canada research programs	3,546,272	3,025,048
Azrieli Neurodevelopmental Research Program - MIRI	2,770,036	3,565,663
Chagnon Family - Alzheimer's disease and related dementias - MIRI	2,350,584	-
Canadian Cancer Society research programs	2,016,665	1,237,629
WBHI - Knowledge translation and exchange	879,100	306,000
Alzheimer Society of Canada research program	617,530	131,002
CQDM/OBI - Focus on Brain Program	527,145	467,868
Brain Health network training awards	499,993	655,000
Heart and Stroke Foundation research programs	452,873	509,944
Huntington Society of Canada research program	400,000	75,000
Alzheimer's Association research programs	199,167	192,732
MHCC/Medavie Blue Cross	141,740	-
Kids Write Network evaluation	40,480	-
CIBC training awards	15,000	94,167
Others	13,187	32,000
RBC - Research Partnership in Mental Health	-	486,667
National Institutes of Health - BRAIN Initiative	-	440,995
	\$ 42,527,060	\$ 35,787,862
Operating:		
Salaries and wage levies	\$ 1,489,426	\$ 1,246,192
Rent	174,995	157,689
Programs expenses	162,766	152,527
Communications	153,699	291,051
Professional fees	136,975	166,286
Website	134,485	60,082
Administration	87,634	92,985
Board	60,446	52,718
Travel	32,947	62,403
Fundraising and partnership activities	31,120	18,558
Office expenses	19,805	23,559
Insurance	11,014	10,371
Science consulting fees	-	33,463
	\$ 2,495,312	\$ 2,367,884