

Financial Statements of

**THE CANADIAN INSTITUTE FOR
ADVANCED RESEARCH -
L'INSTITUT CANADIEN DE
RECHERCHES AVANCÉES**

And Independent Auditors' Report thereon

Year ended June 30, 2020



KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Members of The Canadian Institute for Advanced Research -
L'Institut Canadien de Recherches Avancées

Opinion

We have audited the financial statements of The Canadian Institute for Advanced Research - L'Institut Canadien de Recherches Avancées (the Entity), which comprise:

- the statement of financial position as at June 30, 2020
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at June 30, 2020, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Other Matter - Comparative Information

The financial statements for the year ended June 30, 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on September 24, 2019.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

September 21, 2020

THE CANADIAN INSTITUTE FOR ADVANCED RESEARCH - L'INSTITUT CANADIEN DE RECHERCHES AVANCÉES

Statement of Financial Position
(In thousands of dollars)

June 30, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	\$ 9,226	\$ 1,658
Accounts receivable (note 3)	6,850	2,650
Investments (note 4)	–	8,500
Prepaid expenses	320	234
	<u>16,396</u>	<u>13,042</u>
Investments (note 4)	19,099	19,745
Property, equipment and leasehold improvements (note 5)	1,273	1,510
Intangible assets (note 5)	502	348
	<u>\$ 37,270</u>	<u>\$ 34,645</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 9,978	\$ 8,122
Deferred revenue (note 6)	5,844	4,549
Deferred tenant allowance (note 6)	40	40
	<u>15,862</u>	<u>12,711</u>
Deferred revenue (note 6)	1,771	868
Deferred tenant allowance (note 6)	240	281
	<u>17,873</u>	<u>13,860</u>
Net assets:		
Invested in property, equipment, leasehold improvements and intangible assets	1,495	1,537
Externally restricted endowment fund	500	500
Internally restricted reserve	10,000	10,000
Unrestricted	7,402	8,748
	<u>19,397</u>	<u>20,785</u>
Economic dependence (note 1)		
Commitments (note 9)		
Subsequent event (note 12)		
	<u>\$ 37,270</u>	<u>\$ 34,645</u>

See accompanying notes to financial statements.

On behalf of the Board:

Patricia Meredith
Director

THE CANADIAN INSTITUTE FOR ADVANCED RESEARCH - L'INSTITUT CANADIEN DE RECHERCHES AVANCÉES

Statement of Operations
(In thousands of dollars)

Year ended June 30, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Program contributions (note 6):		
Government funding (note 3):		
Federal:		
Operational funding	\$ 7,550	\$ 7,000
Pan-Canadian AI Strategy	21,792	22,823
Provincial	3,362	7,450
	<u>32,704</u>	<u>37,273</u>
Partnerships:		
Research organizations	2,079	3,027
Universities and others	2	171
	<u>2,081</u>	<u>3,198</u>
Private sector:		
Corporations	562	895
Foundations	3,283	2,941
Individuals	1,067	1,353
	<u>4,912</u>	<u>5,189</u>
Investment income (note 4(b))	1,132	1,054
	<u>40,829</u>	<u>46,714</u>
Expenses:		
Program expenses:		
Knowledge creation (note 7(a))	11,409	14,586
Pan-Canadian AI Strategy (note 7(b))	22,117	23,460
Knowledge mobilization and communications	3,769	3,940
Next generation (note 7(c))	1,381	1,801
	<u>38,676</u>	<u>43,787</u>
Non-program expenses (note 7(d))	2,125	3,048
	<u>40,801</u>	<u>46,835</u>
Excess (deficiency) of revenue over expenses	28	(121)
Unrealized gain (loss) on investments	(1,416)	16
Deficiency of revenue over expenses	<u>\$ (1,388)</u>	<u>\$ (105)</u>

See accompanying notes to financial statements.

THE CANADIAN INSTITUTE FOR ADVANCED RESEARCH - L'INSTITUT CANADIEN DE RECHERCHES AVANCÉES

Statement of Changes in Net Assets
(In thousands of dollars)

Year ended June 30, 2020, with comparative information for 2019

					2020	2019
	Invested in property, equipment, leasehold improvements and intangible assets	Externally restricted endowment fund	Internally restricted reserve	Unrestricted	Total	Total
Balance, beginning of year	\$ 1,537	\$ 500	\$ 10,000	\$ 8,748	\$ 20,785	\$ 20,890
Deficiency of revenue over expenses	(356)	–	–	(1,032)	(1,388)	(105)
Investment in property, equipment, leasehold improvements and intangible assets	314	–	–	(314)	–	–
Balance, end of year	\$ 1,495	\$ 500	\$ 10,000	\$ 7,402	\$ 19,397	\$ 20,785

See accompanying notes to financial statements.

THE CANADIAN INSTITUTE FOR ADVANCED RESEARCH - L'INSTITUT CANADIEN DE RECHERCHES AVANCÉES

Statement of Cash Flows
(In thousands of dollars)

Year ended June 30, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (1,388)	\$ (105)
Items not involving cash:		
Amortization of property, equipment, leasehold improvements and intangible assets	397	344
Amortization of deferred tenant allowance	(41)	(40)
Deferred revenue recognized (note 6)	(39,697)	(45,660)
Unrealized loss (gain) on investments	1,416	(16)
	(39,313)	(45,477)
Change in non-cash operating working capital:		
Accounts receivable	(3,200)	127
Prepaid expenses	(86)	(4)
Accounts payable and accrued liabilities	1,856	2,983
Deferred revenue received (note 6)	40,895	42,976
	152	605
Investing activities:		
Proceeds on sale of investments, net	7,730	-
Purchase of investments	-	(541)
Investment in property, equipment, leasehold improvements and intangible assets	(314)	(516)
	7,416	(1,057)
Increase (decrease) in cash	7,568	(452)
Cash, beginning of year	1,658	2,110
Cash, end of year	\$ 9,226	\$ 1,658

See accompanying notes to financial statements.

THE CANADIAN INSTITUTE FOR ADVANCED RESEARCH - L'INSTITUT CANADIEN DE RECHERCHES AVANCÉES

Notes to Financial Statements
(In thousands of dollars, unless otherwise noted)

Year ended June 30, 2020

1. Nature of operations:

The Canadian Institute for Advanced Research - L'Institut Canadien de Recherches Avancées ("CIFAR") is incorporated under the Canada Corporations Act as a not-for-profit organization and has continued under the Canada Not-for-Profit Corporations Act. CIFAR is also a registered charity under the Income Tax Act (Canada). The primary objective of CIFAR is to bring leading researchers together to work on major collaborative advanced research projects that address scientific, economic and social questions that are of importance to the future of Canada and the world. CIFAR funds multi-year projects that bridge institutional, regional, cultural and national boundaries. The funding provided by CIFAR contributes to research support and compensation of program members.

In common with other not-for-profit organizations, CIFAR is economically dependent on the continued financial support of federal and provincial governments, partnerships and the private sector to meet its ongoing commitments.

2. Significant accounting policies:

(a) Basis of presentation:

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

(b) Financial instruments:

CIFAR considers any contract creating a financial asset, liability or equity instrument as a financial instrument. CIFAR's financial instruments comprise cash, accounts receivable, investments, and accounts payable.

THE CANADIAN INSTITUTE FOR ADVANCED RESEARCH - L'INSTITUT CANADIEN DE RECHERCHES AVANCÉES

Notes to Financial Statements (continued)
(In thousands of dollars, unless otherwise noted)

Year ended June 30, 2020

2. Significant accounting policies (continued):

(i) Cash, accounts receivable and accounts payable:

Cash, accounts receivable and accounts payable are initially measured at fair value and subsequently recorded at amortized cost.

(ii) Investments

Investments deferred for future years (note 4) represent externally restricted unspent funding received from federal and provincial governments, partnerships and the public and private sector. The investments in the externally restricted endowment fund and internally restricted net assets (note 4) comprise GICs and short-term deposits and investments in a long-term equity portfolio. Cash and short-term deposits are initially measured at fair value and subsequently recorded at amortized cost and consist of highly liquid, interest bearing instruments with maturities of three months or less or which can be liquidated without significant penalty. The long-term equity portfolio is measured at fair value based upon active market quoted rates using the monthly closing bid price. Unrealized gains or losses are recognized in the statement of operations.

(c) Property, equipment and leasehold improvements:

Property, equipment and leasehold improvements are recorded at cost and are amortized on a straight-line basis over their estimated useful lives as follows:

Computer hardware	3 years
Leasehold improvements	Over remaining of the lease

(d) Intangible assets:

Intangible assets consist of computer software and are recorded at cost and are amortized over their estimated useful lives of 5 years.

THE CANADIAN INSTITUTE FOR ADVANCED RESEARCH - L'INSTITUT CANADIEN DE RECHERCHES AVANCÉES

Notes to Financial Statements (continued)
(In thousands of dollars, unless otherwise noted)

Year ended June 30, 2020

2. Significant accounting policies (continued):

(e) Externally restricted endowment fund:

The externally restricted endowment fund represents restricted contributions subject to externally imposed restrictions specifying that the resources contributed be maintained permanently and are subject to CIFAR's preservation of capital policy unless otherwise specified by the donor. CIFAR's preservation of capital policy allows for the encroachment of capital to cover realized or unrealized losses and disbursements in excess of investment income on the basis that the capital will be replenished by future net investment income. Investment income realized on these funds is unrestricted and maintained within the unrestricted fund unless otherwise restricted by the donor.

(f) Internally restricted reserve

The internally restricted reserve represents net assets restricted by the Board of Directors (the "Board") for specific purposes. These amounts are not available for other purposes without the approval of the Board. Investment income realized on these funds is unrestricted. Transfers are determined based on CIFAR's objectives, policies and processes for managing capital.

(g) Deferred tenant allowance:

Deferred tenant allowance represents cash received from the landlord pursuant to the lease agreement for premises occupied by CIFAR. The allowance is amortized against rent expense over the term of the lease.

(h) Revenue recognition:

CIFAR follows the deferral method of accounting for contributions.

Endowment contributions are recognized as direct increases in net assets in the year in which they are received.

THE CANADIAN INSTITUTE FOR ADVANCED RESEARCH - L'INSTITUT CANADIEN DE RECHERCHES AVANCÉES

Notes to Financial Statements (continued)
(In thousands of dollars, unless otherwise noted)

Year ended June 30, 2020

2. Significant accounting policies (continued):

Externally restricted contributions received are recorded as deferred revenue and recognized as revenue in the year in which the related expenses are incurred or in the year they are designated for.

Unrestricted contributions are recognized as revenue when received or receivable and measurement is reasonably assured.

(i) Contributed goods and services:

Contributed goods and services are not recognized in these financial statements due to the difficulty in determining their fair value.

(j) Foreign currency translation:

CIFAR translates balances denominated in foreign currencies at the exchange rates in effect at the date of the statement of financial position for monetary assets and liabilities, and the average exchange rates during the year for revenue and expenses. Unrealized translation gains and losses are recognized in the statement of operations.

(k) Allocation of expenses:

CIFAR allocates personnel, rent and overhead expenses on the following basis:

(i) President's office expenses - based on the proportion of time the President's office personnel spend overseeing each department; and

(ii) Rent and overhead expenses - based upon head count for each department.

THE CANADIAN INSTITUTE FOR ADVANCED RESEARCH - L'INSTITUT CANADIEN DE RECHERCHES AVANCÉES

Notes to Financial Statements (continued)
(In thousands of dollars, unless otherwise noted)

Year ended June 30, 2020

3. Government funding:

(a) Government of Canada:

Effective April 1, 2017, CIFAR entered into a five-year agreement with the Government of Canada to provide funding in the amount of \$35 million, to be disbursed to CIFAR at a rate of \$7 million per annum. During the year, CIFAR recognized revenue of \$7.5 million (2019 - \$7 million) under this agreement. An instalment of \$1.75 million (2019 - \$1.75 million) for the period from April 1, 2020 to June 30, 2020 has been accrued at year end. As at June 30, 2020, \$23.25 million has been received or is receivable, \$23.25 million has been recognized and \$11.75 million remains to be recognized under this agreement.

In accordance with the funding agreement, CIFAR committed to seek additional financial contributions of \$35 million from non-federal sources over the term of the agreement which was met in fiscal 2020.

In March 2017, the Government of Canada announced it would invest \$125 million in a Pan-Canadian Artificial Intelligence (AI) Strategy (the "AI Strategy") led by CIFAR. This investment will ensure that Canada retains, attracts, and trains top research talent in deep learning and reinforcement learning. The AI Strategy will also support research and policy outreach on the economic, ethical, policy, and legal issues related to the advent of AI, and is designed to provide a strong foundation of research excellence so that all Canadians benefit from the continuing developments of AI. In leading this strategy, CIFAR will be instrumental in developing a game-changing AI ecosystem, and championing a strong foundation of research excellence on which to build Canadian pre-eminence in AI. It is a nine-year agreement with the department of Innovation, Science and Economic Development. During the year, CIFAR recognized revenue of \$21.8 million (2019 - \$22.82 million). As at June 30, 2020, \$50.38 million has been received or is receivable, \$50.38 million has been recognized and \$74.62 million remains to be recognized under this agreement.

THE CANADIAN INSTITUTE FOR ADVANCED RESEARCH - L'INSTITUT CANADIEN DE RECHERCHES AVANCÉES

Notes to Financial Statements (continued)
(In thousands of dollars, unless otherwise noted)

Year ended June 30, 2020

3. Government funding (continued):

(b) Government of British Columbia:

Effective March 2018, CIFAR entered into a two-year agreement with the Government of British Columbia to receive funding of \$4 million restricted to certain programs and certain expenditures within those programs. During the year, CIFAR recognized \$2 million (2019 - \$2 million) in accordance with the restrictions under this agreement. As at June 30, 2020, all funding has been received and recognized under this agreement.

(c) Government of Ontario:

Effective April 2018, CIFAR entered into a five-year agreement with the Ministry of Research and Innovation of Ontario to receive funding of \$20 million in installments of \$4 million per annum. During the year, CIFAR received and recognized nil (2019 - \$4 million) under this agreement. As at May 16, 2019, this agreement has been terminated. All funding has been received and recognized.

(d) Government of Alberta:

Effective March 2017, CIFAR entered into a three-year agreement with the Government of Alberta to receive funding of \$1.8 million, in installments of \$1.2 million and \$600, restricted to certain programs and certain expenditures within these programs. During the year, CIFAR recognized revenue of nil (2019 - \$300) in accordance with the restrictions. As at June 30, 2019, all funding has been received and recognized under this agreement.

Effective March 2020, CIFAR entered into a two-year agreement with the Government of Alberta to receive funding of \$300 in one installment, restricted to certain programs and certain expenditures within these programs. During the year, CIFAR recognized revenue of nil (2019 - nil) in accordance with the restrictions. As at June 30, 2020, all funding has been received and \$300 remains to be recognized under this agreement.

THE CANADIAN INSTITUTE FOR ADVANCED RESEARCH - L'INSTITUT CANADIEN DE RECHERCHES AVANCÉES

Notes to Financial Statements (continued)
(In thousands of dollars, unless otherwise noted)

Year ended June 30, 2020

3. Government funding (continued):

(e) Government of Quebec:

Effective January 2015, CIFAR entered into a five-year agreement with the Government of Quebec to receive funding of \$600, in installments of \$150 per annum, restricted to certain programs and certain expenditures within these programs. During the year, CIFAR recognized revenue of \$156 (2019 - \$150) in accordance with the restrictions under this agreement. As at June 30, 2020, all funding has been received and recognized under this agreement.

Effective June 2017, CIFAR entered into a five-year agreement with the Government of Quebec to receive funding of \$3 million, in installments of \$600 per annum. During the year, CIFAR recognized revenue of \$600 (2019 - \$600) under this agreement. As at June 30, 2020, \$2 million has been received or is receivable, \$1.8 million has been recognized and \$1.2 million remains to be recognized under this agreement.

Effective April 2018, CIFAR entered into a four-year agreement with the Government of Quebec to receive funding of \$1.6 million, in installments of \$400 per annum. During the year, CIFAR recognized revenue of \$400 (2019 - \$400) under this agreement. As at June 30, 2020, \$800 has been received or is receivable, \$800 has been recognized and \$800 remains to be recognized under this agreement.

4. Investments:

				2020	2019
	Deferred for future years	Externally restricted endowment fund	Internally restricted	Total	Total
GICs and short-term deposits	\$ —	\$ —	\$ —	\$ —	\$ 8,500
Long-term equity portfolio	8,599	500	10,000	19,099	19,745
	8,599	500	10,000	19,099	28,245
Less current portion	—	—	—	—	8,500
	\$ 8,599	\$ 500	\$ 10,000	\$ 19,099	\$ 19,745

THE CANADIAN INSTITUTE FOR ADVANCED RESEARCH - L'INSTITUT CANADIEN DE RECHERCHES AVANCÉES

Notes to Financial Statements (continued)
(In thousands of dollars, unless otherwise noted)

Year ended June 30, 2020

4. Investments (continued):

(a) As at June 30, 2020, the investments deferred for future years represent funds received from the private and public sector and partnerships that have been deferred in accordance with the various agreements held with the donors.

(b) Interest income realized on GICs and short-term deposits of \$343 (2019 - \$105) has been included in investment income for the year.

Investment income realized on the long-term equity portfolio of \$789 (2019 - \$949) has been included in investment income for the year.

5. Property, equipment, leasehold improvements and intangible assets:

Property, equipment and leasehold improvements:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware	\$ 40	\$ (17)	\$ 23	\$ 51
Leasehold improvements	1,863	(613)	1,250	1,459
	\$ 1,903	\$ (630)	\$ 1,273	\$ 1,510

Intangible assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Software	\$ 875	\$ (373)	\$ 502	\$ 348

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Notes to Financial Statements (continued)
(In thousands of dollars, unless otherwise noted)

Year ended June 30, 2020

6. Deferred revenue and deferred tenant allowance:

	Deferred revenue, beginning of year	Received or receivable during the year	Less amounts accrued in previous years	Recognized as revenue	Deferred revenue, end of year	Less current portion	Deferred revenue, long-term portion
2020:							
Government of Canada	\$ -	\$ 8,550	\$ -	\$ (7,550)	\$ 1,000	\$ (1,000)	\$ -
Government of Canada, AI Strategy	-	21,904	(133)	(21,771)	-	-	-
Government of USA	-	21	-	(21)	-	-	-
Government of British Columbia	2,000	-	-	(2,000)	-	-	-
Government of Ontario	-	206	-	(206)	-	-	-
Government of Alberta	-	300	-	-	300	(300)	-
Government of Quebec	81	1,300	(25)	(1,156)	200	(200)	-
Total government fund	2,081	32,281	(158)	(32,704)	1,500	(1,500)	-
Partnerships	58	2,602	-	(2,081)	579	(579)	-
Private sector	3,278	7,170	-	(4,912)	5,536	(3,765)	1,771
	\$ 5,417	\$ 42,053	\$ (158)	\$ (39,697)	\$ 7,615	\$ (5,844)	\$ 1,771
Deferred tenant allowance	\$ 321	\$ -	\$ -	\$ (41)	\$ 280	\$ (40)	\$ 240
2019:							
Deferred tenant allowance	\$ 361	\$ -	\$ -	\$ (40)	\$ 321	\$ (40)	\$ 281

THE CANADIAN INSTITUTE FOR ADVANCED RESEARCH - L'INSTITUT CANADIEN DE RECHERCHES AVANCÉES

Notes to Financial Statements (continued)
(In thousands of dollars, unless otherwise noted)

Year ended June 30, 2020

7. Expenses:

(a) Knowledge creation - Program activities:

	2020	2019
Life & Health:		
Fungal Kingdom: Threats & Opportunities	\$ 641	\$ –
Genetic Networks	(2)	656
Humans and the Microbiome	814	840
Molecular Architecture of Life	541	796
	<u>1,994</u>	<u>2,292</u>
Individuals & Society:		
Azrieli Program in Brain, Mind and Consciousness	1,239	1,897
Boundaries, Membership and Belonging	528	–
Child and Brain Development	681	894
Innovation, Equity & the Future of Prosperity	482	–
Institutions, Organizations and Growth	68	816
Social Interactions, Identity and Well-Being	–	(2)
Successful Societies	57	692
	<u>3,055</u>	<u>4,297</u>
Earth & Space:		
Earth 4D: Subsurface Science & Exploration	477	–
Gravity & the Extreme Universe	753	814
Integrated Microbial Biodiversity	–	10
	<u>1,230</u>	<u>824</u>
Information & Matter:		
Bio-inspired Solar Energy	589	745
Learning in Machines and Brains	743	1,250
Quantum Information Science	502	849
Quantum Materials	646	1,134
	<u>2,480</u>	<u>3,978</u>
	8,759	11,391
Programs, support	2,650	3,195
	<u>\$ 11,409</u>	<u>\$ 14,586</u>

THE CANADIAN INSTITUTE FOR ADVANCED RESEARCH - L'INSTITUT CANADIEN DE RECHERCHES AVANCÉES

Notes to Financial Statements (continued)
(In thousands of dollars, unless otherwise noted)

Year ended June 30, 2020

7. Expenses (continued):

(b) Pan-Canadian AI Strategy:

	2020	2019
Chairs Program	\$ 11,865	\$ 14,143
Institution Support	8,265	7,553
National Activities	374	241
AI Secretariat	1,189	1,155
AI & Society	424	368
	<u>\$ 22,117</u>	<u>\$ 23,460</u>

(c) Next generation:

	2020	2019
CIFAR Azrieli Global Scholars Program	\$ 1,355	\$ 1,798
Global Scholars Academy	26	3
	<u>\$ 1,381</u>	<u>\$ 1,801</u>

(d) Non-program expenses:

	2020	2019
Advancement	\$ 1,112	\$ 2,311
Governance and administration	1,013	737
	<u>\$ 2,125</u>	<u>\$ 3,048</u>

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Notes to Financial Statements (continued)
(In thousands of dollars, unless otherwise noted)

Year ended June 30, 2020

8. Allocation of expenses:

President's office expenses and rent and overhead expenses of \$844 (2019 - \$846) and \$3,425 (2019 - \$3,153), respectively, have been allocated as follows:

	President's office expense		Rent and overhead	
	2020	2019	2020	2019
Knowledge creation	\$ 422	\$ 423	\$ 598	\$ 607
Pan-Canadian AI Strategy	–	–	168	135
Knowledge mobilization and communications	253	254	1,319	1,406
Non-program expenses:				
Advancement	169	169	294	446
Governance and administration	–	–	1,046	559
	<u>\$ 844</u>	<u>\$ 846</u>	<u>\$ 3,425</u>	<u>\$ 3,153</u>

9. Commitments:

CIFAR is committed to the rental of office premises until 2027 and equipment until 2022. Minimum annual payments are as follows:

2021	\$ 292
2022	384
2023	409
2024	403
2025	403
Thereafter	773

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Notes to Financial Statements (continued)
(In thousands of dollars, unless otherwise noted)

Year ended June 30, 2020

10. Financial instruments:

Transactions in financial instruments may result in CIFAR assuming or transferring to another party one or more of the financial risks described below.

The following risks have remained consistent with the prior year, other than as disclosed in note 12.

(a) Currency, interest rate and market risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. CIFAR operates and invests internationally giving rise to currency risk. Consequently, some assets and liabilities are exposed to foreign exchange fluctuations. As at June 30, 2020, cash and short-term deposits and investments denominated in U.S. currency amounted to USD \$19 (2019 - USD \$38) and USD nil (2019 - USD nil), respectively. Accounts payable denominated in U.S. currency amounted to USD \$516 (2019 - USD \$782). Accounts payable denominated in EUR currency amount to EUR 207 (2019 - EUR 223).

Interest rate price risk is the risk that the fair value of an interest bearing financial instrument will fluctuate due to changes in market interest rates. Interest rate cash flow risk is the risk that cash flows will fluctuate due to changes in market interest rates. CIFAR's exposure to interest rate price risk is limited to its fixed interest bearing investments of nil (2019 - \$8.5 million). CIFAR's interest rate cash flow risk is limited to its variable interest bearing investments of nil (2019 - nil). CIFAR is exposed to certain market risks which cause the fair value of its investments to fluctuate.

To protect against currency, interest rate and market risk, management has developed an investment policy which requires investments to meet specific requirements. CIFAR's investment policy governs the investment decisions and is intended to mitigate currency, interest rate and market risk. As a result, it is management's opinion that CIFAR is not exposed to significant currency, interest rate and market risk arising from its financial instruments.

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Year ended June 30, 2020

10. Financial instruments (continued):

(b) Credit risk:

Credit risk is the risk that a counterparty will not be able to discharge its obligations to CIFAR. CIFAR reduces its exposure to credit risk by assessing credit on a regular basis and providing for an allowance for doubtful accounts when applicable. At June 30, 2020, the allowance for doubtful accounts is nil (2019 - nil). It is management's opinion that CIFAR is not exposed to significant credit risk given the nature of accounts receivable.

(c) Liquidity risk:

Liquidity risk is the risk that CIFAR will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. CIFAR is exposed to liquidity risk mainly in respect to accounts payable.

CIFAR manages its liquidity risk by forecasting cash flows from operations, investing and financing activities to ensure that it has sufficient funds available to meet current and foreseeable financial obligations. As a result, it is management's opinion that CIFAR is not exposed to significant liquidity risk arising from its financial instruments.

11. Pension plan:

Eligible employees of CIFAR are members of the University of Toronto's defined benefit pension plan. Accordingly, the information that would normally be required to be disclosed is not available. As a result, disclosure is limited to disclosing contributions to the plan. Cash contributions made during the year were \$519 (2019 - \$487).

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Notes to Financial Statements (continued)
(In thousands of dollars, unless otherwise noted)

Year ended June 30, 2020

12. Subsequent event:

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus ("COVID-19"). The situation is constantly evolving, and the measures put in place are having a significant impact on economic and social matters. CIFAR continues to operate in line with recommendations of public health authorities.

As at June 30, 2020, CIFAR did not have significant adjustments to reflect the possible future impact of COVID-19. Investments are recorded at fair value which included the impact on financial markets as at year end.

Management is closely monitoring the situation and evaluating the impact of guidance and regulations implemented by medical and government bodies across the country. As this new information became available, management continued to evaluate the impact on the June 30, 2020 financial statements. As of the date these financial statements were approved, management has not identified any events which will have a negative financial impact on CIFAR.