

Rick Hansen Institute

Financial Statements

March 31, 2016



June 30, 2016

Independent Auditor's Report

**To the Directors of
Rick Hansen Institute**

We have audited the accompanying financial statements of Rick Hansen Institute, which comprise the statement of financial position as at March 31, 2016 and the statements of operations and fund balances and cash flows for the year then ended, and the related notes, which comprise 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.

Auditor's 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

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

Report on other legal and regulatory requirements

As required by the Society Act (British Columbia), we report that, in our opinion, the accounting principles in the Canadian accounting standards for not-for-profit organizations has been applied on a consistent basis.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Rick Hansen Institute
Statement of Financial Position
As at March 31, 2016

	2016 \$	2015 \$
Assets		
Current assets		
Cash and cash equivalents	1,117,830	544,148
Short-term investments (note 3)	5,772,978	6,297,556
Accounts receivable	55,729	30,938
Prepaid expenses	361,173	121,498
Due from related parties (note 9)	-	19,785
	<u>7,307,710</u>	<u>7,013,925</u>
Capital assets (note 4)	<u>101,088</u>	<u>134,425</u>
	<u><u>7,408,798</u></u>	<u><u>7,148,350</u></u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	1,982,751	1,434,437
Due to related parties (note 9)	97,185	-
	<u>2,079,936</u>	<u>1,434,437</u>
Deferred contributions (note 6(a))	4,922,573	5,300,505
Deferred capital contributions (note 6(b))	<u>101,088</u>	<u>134,425</u>
	7,103,597	6,869,367
Unrestricted funds	<u>305,201</u>	<u>278,983</u>
	<u><u>7,408,798</u></u>	<u><u>7,148,350</u></u>
Economic dependence (note 11)		
Commitments and contingencies (note 7)		

Approved by the Board of Directors

Bernard H. Broeder Director Ryan K. ... Director

The accompanying notes are an integral part of these financial statements.

Rick Hansen Institute
Statement of Operations and Fund Balances
For the year ended March 31, 2016

	2016	2015
	\$	\$
Revenue		
Grants and contributions (notes 6(a) and 9)	10,917,607	11,415,338
Donations and sponsorships	-	1,138
Investment income (note 3)	38,063	144,254
Other income	35,618	138,621
Amortization of deferred capital contributions (note 6(b))	81,554	103,831
	<hr/>	<hr/>
	11,072,842	11,803,182
Expenses (notes 9 and 10)		
Translational research	6,235,512	6,658,515
Best practice implementation	1,832,037	2,111,143
Informatics	1,156,523	1,123,505
Network development	314,779	220,742
Best and brightest	88,552	179,024
Consumer engagement	980,395	861,668
Fundraising	52,175	132,033
Management and administration	386,651	374,919
	<hr/>	<hr/>
	11,046,624	11,661,549
Excess of revenue over expenses for the year	26,218	141,633
Unrestricted fund balance - Beginning of year	<hr/>	<hr/>
	278,983	137,350
Unrestricted fund balance - End of year	<hr/>	<hr/>
	305,201	278,983

The accompanying notes are an integral part of these financial statements.

Rick Hansen Institute
Statement of Cash Flows
For the year ended March 31, 2016

	2016	2015
	\$	\$
Cash flows from operating activities		
Excess of revenue over expenses for the year	26,218	141,633
Add: Non-cash items		
Depreciation of capital assets	81,554	103,831
Amortization of deferred capital contributions	(81,554)	(103,831)
Fair value change in investments	60,725	(22,443)
	<hr/> 86,943	<hr/> 119,190
Change in non-cash working capital		
Accounts receivable	(24,791)	25,678
Prepaid expenses	(239,675)	(97,612)
Accounts payable and accrued liabilities	548,314	828,830
Deferred contributions	(329,715)	(613,301)
Due to/from related parties	116,970	(150,555)
	<hr/> 71,103	<hr/> (6,960)
	<hr/> 158,046	<hr/> 112,230
Cash flows from investing activities		
Capital assets acquired	(48,217)	(106,899)
Net withdrawal (purchase) of investments	463,853	(440,452)
	<hr/> 415,636	<hr/> (547,351)
Increase (decrease) in cash and cash equivalents	573,682	(435,121)
Cash and cash equivalents - Beginning of year	<hr/> 544,148	<hr/> 979,269
Cash and cash equivalents - End of year	<hr/> 1,117,830	<hr/> 544,148
Supplementary cash flow information		
Non-cash operating activities		
Transfer of deferred contributions to deferred capital contributions	48,217	106,899
	<hr/> 48,217	<hr/> 106,899

The accompanying notes are an integral part of these financial statements.

Rick Hansen Institute

Notes to Financial Statements

March 31, 2016

1 Nature of operations

Rick Hansen Institute (the Institute) was incorporated on January 15, 2009 under the Canada Corporations Act. On October 26, 2009, the Institute was registered as a charity under the Income Tax Act and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

The Institute commenced operations on January 1, 2010. A number of programs and the related assets were transferred from Rick Hansen Foundation (a related party) at that time.

The Institute's mission is to lead collaboration across the global spinal cord injury (SCI) community by providing resources, infrastructure, and knowledge and to identify, develop, validate, and accelerate the translation of evidence and best practices to reduce the incidence and severity of paralysis after SCI, improve health care outcomes, reduce long-term costs, and improve quality of life for those living with SCI.

The Foundation fundraises on behalf of the Institute and the Institute and the Foundation have a reciprocal services arrangement whereby they share Human Resources (HR), Finance and Marketing and Communications staff in an effort to reduce costs and increase efficiencies.

2 Basis of preparation and significant accounting policies

Effective April 1, 2012, the Institute adopted Canadian accounting standards for not-for-profit organizations (ASNPO) as issued by the Canadian Accounting Standards Board.

The significant accounting policies are summarized below:

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with banks and short-term deposits with a maturity of less than 90 days.

Investments

Short-term investments include short-term deposits with maturities of one year or less and greater than 90 days. Long-term investments include fixed income securities with maturities of greater than one year from year-end. Investments are recorded at fair value with gains and losses recorded in the statement of operations. The Institute also includes cash held by the investment manager to be used for the purchase of investments in this balance. This cash is not available to the Institute for operational use.

Rick Hansen Institute

Notes to Financial Statements

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Capital assets

Capital assets are recorded at cost and depreciated on a straight-line basis over their estimated useful lives at the following annual rates:

Office equipment	5 years
Computers - hardware	3 years
Computers - software	3 years
Leasehold improvements	10 years

Revenue recognition

The Institute follows the deferral method of accounting for restricted contributions. When receivable, the restricted contribution is deferred and recognized as revenue in the period in which the related expenses are incurred by the Institute. Restricted contributions applied toward the purchase of capital assets are deferred and amortized to revenue on a straight-line basis at a rate corresponding with the depreciation rate for the related capital assets. Unrestricted contributions are recognized as revenue in the current period if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income comprises interest earned on investments and on cash and cash equivalents, and fair value changes in investments.

Grant expenditures

The Institute recognizes a grant expense when the grant recipient has complied with the conditions to meet the terms of the grant agreement and the Institute has approved payment of the grant.

Allocation of expenses

The Institute engages in translational research, best practice implementation, informatics, network development, best and brightest awards and consumer engagement. The Institute incurs a number of management and administration support costs and allocates these expenses to the programs proportionately based on the total full-time equivalents of the program. Management and administration support costs include accounting, human resources, information technology, purchasing, marketing and occupancy costs.

Financial instruments

The Institute's financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, and accounts payable and accrued liabilities.

Cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities are initially measured at fair value and subsequently carried at amortized cost. Short-term investments are initially measured, and subsequently carried, at fair value with gains and losses recognized in fair value change in investments.

Rick Hansen Institute

Notes to Financial Statements

March 31, 2016

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those reported. Items requiring the use of management estimates include useful lives of capital assets.

3 Short-term investments

	2016 \$	2015 \$
Cash held in investment account to be used for purchases of securities	1,707,583	15,145
Money market funds	259,860	173,383
Guaranteed Investment Certificates	267,600	2,520,058
Fixed income pooled funds	3,537,935	3,588,970
	<hr/>	<hr/>
Short-term investments	5,772,978	6,297,556

Investment income comprises the following:

	2016 \$	2015 \$
Interest income	98,788	121,811
Fair value change in investments	(60,725)	22,443
	<hr/>	<hr/>
	38,063	144,254

4 Capital assets

	<hr/>		2016	<hr/>	2015
	Cost \$	Accumulated depreciation \$	Net book value \$	Net book value \$	
Office equipment	410,662	373,890	36,772	1,564	
Computers - hardware	326,421	262,520	63,901	53,563	
Computers - software	164,548	164,133	415	57,299	
Leasehold improvements	47,901	47,901	-	21,999	
	<hr/>	<hr/>	<hr/>	<hr/>	
	949,532	848,444	101,088	134,425	

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5 Government remittances

Government remittances consist of amounts (such as sales taxes, payroll withholdings, employee benefit costs, worker's compensation premiums) required to be paid to government authorities and are recognized when the amounts become due. At March 31, 2016, \$2,549 (2015 - \$2,192) is included within accounts payable and accrued liabilities.

6 Deferred contributions

Deferred contributions represent the unspent portion of grants, contributions and donations that are externally restricted for specific purposes, such as research and community expenses. Recognition of deferred contributions is recorded as revenue in the statement of operations.

a) Deferred contributions

	Balance - Beginning of year \$	Contributions \$	Amounts recognized as revenue \$	Amounts transferred to deferred capital contributions \$	Balance - End of year \$
Rick Hansen Foundation	697,799	10,588,729	(9,651,519)	(27,375)	1,607,634
BC government	4,318,546	-	(1,148,481)	(20,842)	3,149,223
Alberta government	281,383	-	(117,607)	-	163,776
Other	2,777	-	(837)	-	1,940
	<u>5,300,505</u>	<u>10,588,729</u>	<u>(10,918,444)</u>	<u>(48,217)</u>	<u>4,922,573</u>

The Institute obtained Western Economic Diversification, Ontario and Manitoba government contributions through its assignment of funding from Rick Hansen Foundation. Contributions from the Rick Hansen Foundation include \$39,680 carryforward, classified as accrued liabilities in prior year.

b) Deferred capital contributions

	2016 \$	2015 \$
Balance - Beginning of year	134,425	131,357
Allocation of deferred contributions (note 6(a))	48,217	106,899
Amounts amortized to revenue	<u>(81,554)</u>	<u>(103,831)</u>
Balance - End of year	<u>101,088</u>	<u>134,425</u>

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7 Commitments and contingencies

a) Operating leases

The aggregate minimum future annual payments under operating leases are as follows:

	\$
2017	8,028
2018	7,094
2019	2,146
	<u>17,268</u>

b) Commitments under grant agreements are as follows:

	\$
2017	2,443,826
2018	721,292
2019	171,327
	<u>3,336,445</u>

The Institute has committed funds to other organizations to undertake research in future periods. The actual grant payments are conditional on the organization meeting performance and reporting requirements.

8 Risk management

a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Institute is not exposed to significant currency risk.

b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Institute is exposed to interest rate risk on its fixed income securities as disclosed in note 3. Management believes this risk to be immaterial; however, it still frequently reviews the interest rates to mitigate risk to the Institute.

c) Market risk and other price risk

Market risk and other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Institute's investment portfolio is exposed to market risk and other price risk due to changing market conditions. This risk is managed by holding low-risk investments in accordance with the Institute's policies.

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d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss. The Institute is not significantly exposed to credit risk; although, the Institute is economically dependent on federal and provincial government funding received through Rick Hansen Foundation, as disclosed in note 11.

e) Liquidity risk

Liquidity risk is the risk that the Institute will not be able to meet its financial obligations as they fall due. The Institute's approach to managing liquidity risk is to ensure that it will have sufficient working capital and cash flow to fund operations and settle liabilities when due.

There were no significant changes in risk exposure from prior years.

9 Related party transactions

The Institute enters into arrangements and transactions in the normal course of business with Rick Hansen Foundation and other related entities. In order to manage costs and improve efficiencies, the Institute has a reciprocal services agreement with Rick Hansen Foundation. Under the terms of this agreement, the organizations share employees across a number of business departments and reimburse each other on a cost recovery basis.

		Transaction value	
	Note	2016 \$	2015 \$
Rick Hansen Foundation			
Contributions received	(i)	10,549,049	10,824,573
Other amounts received	(ii)	15,553	27,389
Amounts paid	(iii)	505,378	535,874
Sam Sullivan Disability Foundation			
Grants paid	(iv)	139,200	153,600
Neil Squire Society			
Grants paid	(iv)	110,200	121,600
Directors of the Institute			
Grants paid	(v)	40,000	70,000
Amounts paid	(vi)	7,250	8,375

(i) grants received in respect of contractual commitments under a number of contribution agreements included in deferred contributions and revenue;

(ii) other costs reimbursed under the terms of the reciprocal services agreement and netted against expenses;

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- (iii) includes \$198,400 (2015 - \$198,400) rent for office space, \$255,437 (2015 - \$312,165) net cost reimbursement for services provided under the terms of the reciprocal services agreement and \$51,541 (2015 - \$25,309) in other costs included in expenses;
- (iv) grants paid to entities related by way of common individuals included in expenses;
- (v) grants paid for a Translational Research project on which a director was listed as one of the principal investigators included in expenses; and
- (vi) fees paid to a director for services as chair of a committee performed outside their capacity as director included in expenses.

10 Allocation of expenses

Management and administration support costs are allocated to the programs as follows:

	2016 \$	2015 \$
Translational research	723,590	528,362
Best practice implementation	159,789	187,090
Informatics	312,083	272,131
Network development	19,727	36,974
Best and brightest	-	36,974
Consumer engagement	59,181	36,974
	<hr/> 1,274,370	<hr/> 1,098,505

11 Economic dependence

Rick Hansen Foundation fundraises on behalf of the Institute. The Institute receives almost all of its funding from the federal and provincial governments through an assignment of grant funding from Rick Hansen Foundation (note 6).