

Financial Statements of

ONTARIO BRAIN INSTITUTE

And Independent Auditors' Report thereon

Year ended March 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Ontario Brain Institute

Opinion

We have audited the financial statements of Ontario Brain Institute (the Entity), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations and 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 March 31, 2019, 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.



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.

- 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.



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- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

July 23, 2019

ONTARIO BRAIN INSTITUTE

Statement of Financial Position

March 31, 2019, with comparative information for 2018


	2019	2018
Assets		
Current assets:		
Cash	\$ 2,849,328	\$ 1,851,175
Other receivables	1,002,118	353,053
Prepaid expenses and deposits	293,721	161,509
	<u>4,145,167</u>	<u>2,365,737</u>
Capital assets (note 2)	1,591,236	279,255
	<u>\$ 5,736,403</u>	<u>\$ 2,644,992</u>

Liabilities and Net Assets


Current liabilities:		
Accounts payable and accrued liabilities (note 3)	\$ 1,608,253	\$ 789,194
Deferred revenue (note 4)	2,333,397	918,310
Deferred industry funds	232,894	250,000
	<u>4,174,544</u>	<u>1,957,504</u>
Deferred capital contributions (note 6)	299,272	134,040
Deferred lease inducement (note 5)	835,842	145,215
Net assets	426,745	408,233
Commitments (note 10)		
	<u>\$ 5,736,403</u>	<u>\$ 2,644,992</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

ONTARIO BRAIN INSTITUTE

Statement of Operations and Changes in Net Assets

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Grant - Ministry of Economic Development, Job Creation and Trade	\$ 18,419,681	\$ 21,922,473
Donations	1,260	15,000
Interest	43,258	26,920
Other	648,891	225,347
	<u>19,113,090</u>	<u>22,189,740</u>
Expenses (note 9):		
Research Programs	10,417,674	14,116,255
Informatics and Analysis	3,432,479	3,351,125
Industry and Education	1,549,403	1,452,121
Administrative support (note 2)	2,394,674	2,087,741
Knowledge Translation	1,300,348	1,149,104
	<u>19,094,578</u>	<u>22,156,346</u>
Excess of revenue over expenses	18,512	33,394
Net assets, beginning of year	408,233	374,839
Net assets, end of year	<u>\$ 426,745</u>	<u>\$ 408,233</u>

See accompanying notes to financial statements.

ONTARIO BRAIN INSTITUTE

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 18,512	\$ 33,394
Items not involving cash:		
Amortization of capital assets	174,893	93,680
Amortization of deferred capital contributions	(114,560)	(64,637)
Amortization of deferred lease inducement	(60,333)	(29,043)
Change in non-cash operating working capital:		
Other receivables	101,895	(137,397)
Prepaid expenses and deposits	(132,212)	212,706
Accounts payable and accrued liabilities	819,059	(40,757)
Deferred revenue	1,415,087	(1,914,639)
Deferred industry funds	(17,106)	-
	2,205,235	(1,846,693)
Financing activities:		
Receipt of deferred capital contributions	279,792	56,803
Investing activities:		
Additions to capital assets	(1,486,874)	(56,803)
Increase (decrease) in cash	998,153	(1,846,693)
Cash, beginning of year	1,851,175	3,697,868
Cash, end of year	\$ 2,849,328	\$ 1,851,175
Non-cash transaction:		
Leasehold improvement inducements financed through other receivables	\$ 750,960	\$ -

See accompanying notes to financial statements.

ONTARIO BRAIN INSTITUTE

Notes to Financial Statements

Year ended March 31, 2019

Ontario Brain Institute ("OBI") is a not-for-profit organization without share capital and on April 2, 2013, was continued under the Canada Not-for-profit Corporations Act.

OBI is funded by the Government of Ontario. OBI's existing contract with the Ministry of Economic Development, Job Creation and Trade (the "Ministry") beginning April 1, 2018, ends on March 31, 2023. The Ministry has committed funding to OBI of \$100,000,000 over five years. Effective 2019-20, the Ministry of Training, Colleges and Universities will be administering this contract.

OBI was established to become an internationally recognized centre of excellence in brain and neuroscience research, clinical application of research, commercialization of research and education and training in research discoveries, relating to prevention, early detection, diagnosis, treatment and control of brain diseases and disorders.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook. The most significant accounting policies are as follows:

(a) Revenue recognition:

OBI follows the deferral method of accounting for contributions.

Capital contributions for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate of the related capital assets.

Externally restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted interest income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted interest income is recognized as revenue when earned.

ONTARIO BRAIN INSTITUTE

Notes to Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(b) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives as follows:

Computer hardware	3 years
Computer software	2 years
Website	5 years
Furniture and equipment	5 years
Leasehold improvement	Over lease term

In the period of acquisition, 50% of the annual amortization rate is used.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and 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. OBI has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

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, OBI 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 OBI expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

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Notes to Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(d) Controlled entity:

OBI has chosen not to consolidate the not-for-profit foundation it controls, and instead, to disclose summarized financial information of the controlled foundation.

(e) Allocation of expenses:

Salaries and benefit expenses are allocated to various functions based on estimated time spent. Consulting and travel expenses are allocated to the functions to which they are directly related.

(f) 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 revenue and expenses during the year. Significant items subject to estimates and assumptions include allocation of expenses. Actual results could differ from those estimates.

2. Capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware	\$ 124,235	\$ 117,137	\$ 7,098	\$ 6,497
Computer software	129,634	32,409	97,225	56,803
Website	150,093	121,058	29,035	49,185
Furniture and equipment	227,236	66,484	160,752	15,101
Leasehold improvement	1,530,250	233,124	1,297,126	151,669
	<u>\$ 2,161,448</u>	<u>\$ 570,212</u>	<u>\$ 1,591,236</u>	<u>\$ 279,255</u>

Included in administrative support expense is amortization of capital assets of \$174,893 (2018 - \$93,680).

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Notes to Financial Statements (continued)

Year ended March 31, 2019

3. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$4,713 (2018 - \$12,081), which includes amounts payable for payroll-related taxes.

4. Deferred revenue:

Funds received but not yet spent on intended restrictions are deferred and recognized as revenue in the year when the related expenses are incurred.

Changes in the deferred revenue balance during the year are as follows:

	2019	2018
Balance, beginning of year	\$ 918,310	\$ 2,832,949
Contributions received	19,720,208	19,943,197
Amounts amortized to revenue	(18,305,121)	(21,857,836)
Balance, end of year	\$ 2,333,397	\$ 918,310

5. Deferred lease inducement:

The deferred lease inducement represents a leasehold improvement inducement received and receivable from the landlord.

The deferred lease inducement is amortized over the term of the lease agreement to correspond to the asset to which it relates.

6. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of capital assets. Contributions are amortized over the life of the related asset.

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Notes to Financial Statements (continued)

Year ended March 31, 2019

6. Deferred capital contributions (continued):

Changes in the deferred capital contributions balance during the year are as follows:

	2019	2018
Balance, beginning of year	\$ 134,040	\$ 141,874
Contributions received	279,792	56,803
Amounts amortized to revenue	(114,560)	(64,637)
Balance, end of year	\$ 299,272	\$ 134,040

7. Related party transactions:

OBI is related to the Ontario Brain Institute Foundation (the "Foundation") by virtue of sharing common Board of Directors.

OBI provides administrative support to the Foundation at no cost.

8. Ontario Brain Institute Foundation:

The Foundation continued under the Canadian Not-for-profit Corporations Act on April 28, 2014. The Foundation is a registered charity under the Income Tax Act (Canada) and was established to fund academic and treatment centres in Canada that are qualified donees for purposes of the Income Tax Act (Canada), in furtherance of brain and neuroscience research and the education and training of brain and neuroscience researchers.

The Foundation's financial statements have not been consolidated in OBI's financial statements. There are no restrictions on the resources of the Foundation, nor are there significant differences from the accounting policies used by OBI.

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Notes to Financial Statements (continued)

Year ended March 31, 2019

8. Ontario Brain Institute Foundation (continued):

Financial summaries of the Foundation are as follows:

(a) Financial position:

	2019	2018
Assets		
Cash	\$ 589,723	\$ 595,570
Other receivables	277	2,965
	<u>\$ 590,000</u>	<u>\$ 598,535</u>
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 8,502	\$ 28,097
Net assets	581,498	570,438
	<u>\$ 590,000</u>	<u>\$ 598,535</u>

(b) Statement of operations:

	2019	2018
Revenue	\$ 131,396	\$ 56,803
Expenses	120,336	840,389
Excess (deficiency) of revenue over expenses	<u>\$ 11,060</u>	<u>\$ (783,586)</u>

(c) Changes in net assets:

	2019	2018
Net assets, beginning of year	\$ 570,438	\$ 1,354,024
Excess (deficiency) of revenue over expenses	11,060	(783,586)
Net assets, end of year	<u>\$ 581,498</u>	<u>\$ 570,438</u>

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Notes to Financial Statements (continued)

Year ended March 31, 2019

8. Ontario Brain Institute Foundation (continued):

(d) Statement of cash flows:

	2019	2018
Decrease in cash from operating activities	\$ (5,847)	\$ (802,049)
Cash, beginning of year	595,570	1,397,619
Cash, end of year	\$ 589,723	\$ 595,570

9. Expenses:

During the year, salaries and benefit expenses have been allocated as follows:

	2019	2018
Research Programs	\$ 792,176	\$ 1,019,070
Informatics and Analysis	225,121	213,700
Industry and Education	444,099	427,944
Administrative support	1,216,833	1,287,394
Knowledge Translation	512,308	547,292
	\$ 3,190,537	\$ 3,495,400

10. Commitments:

(a) Lease and other commitments:

During the year and subsequent to year end, OBI entered into various operating contracts and leases for its premises, office equipment and other services. The future minimum payments for leases and other services are as follows:

2020	\$ 1,235,991
2021	652,142
2022	594,311
2023	593,220
2024	493,710
Thereafter	2,278,567
	\$ 5,847,941

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Notes to Financial Statements (continued)

Year ended March 31, 2019

10. Commitments (continued):

(b) Grant commitments:

OBI has approved grants of \$38,764,184 (2018 - \$1,026,249), which will be paid in future years once the conditions of the grants have been met. These amounts are not reflected in the statement of operations and changes in net assets.

2020	\$ 10,039,184
2021	9,575,000
2022	9,575,000
2023	9,575,000
	<hr/>
	\$ 38,764,184

11. Additional information:

Reconciliation of statement of operations to Ministry Report:

Total operating revenue	\$ 19,113,090
Add:	
Deferred capital contributions	621,354
Deferred operating contributions	1,717,494
	<hr/>
	2,338,848
	21,451,938
Less:	
Non-ministry revenue	438,613
Amortization of deferred industry funds	17,106
Sublease revenue	225,111
	<hr/>
	680,830
Total Ministry Fund revenue	<hr/>
	\$ 20,771,108

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Notes to Financial Statements (continued)

Year ended March 31, 2019

11. Additional information (continued):

Total operating expenses	\$ 19,094,578
Add:	
Purchase of capital assets	735,914
Change in prepaid expenses and deposits	104,031
	<u>839,945</u>
	19,934,523
Less:	
Expenses funded through non-ministry revenue	437,207
Amortization of capital assets (net of leasehold inducement)	114,560
Rent expense on subleased offices	225,111
	<u>776,878</u>
Total Ministry Fund expenses	\$ 19,157,645

12. Financial risks:

(a) Liquidity risk:

Liquidity risk is the risk that OBI will be unable to fulfill its obligations on a timely basis or at a reasonable cost. OBI manages its liquidity risk by monitoring its operating requirements. OBI prepares cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(b) Credit risk:

Credit risk refers to the risk that counterparty may default on its contractual obligations resulting in a financial loss. OBI is exposed to credit risk with respect to the accounts receivable. OBI assesses, on a continuous basis, accounts receivable, and provides for any amounts that are not collectible in the allowance for doubtful accounts.

There has been no change to the risk exposures from 2018.

