

Financial Statements of

ONTARIO BRAIN INSTITUTE

Year ended March 31, 2015



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Ontario Brain Institute

We have audited the accompanying financial statements of Ontario Brain Institute, which comprise the statement of financial position as at March 31, 2015, the statements of operations and 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Brain Institute as at March 31, 2015, 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.

Chartered Professional Accountants, Licensed Public Accountants

July 28, 2015
Toronto, Canada

ONTARIO BRAIN INSTITUTE

Statement of Financial Position

March 31, 2015, with comparative information for 2014


	2015	2014
Assets		
Current assets:		
Cash	\$ 4,057,249	\$ 3,135,255
Other receivable (note 7)	171,403	1,090,403
Prepaid expenses and deposits	688,072	444,579
	<u>4,916,724</u>	<u>4,670,237</u>
Capital assets (note 2)	429,239	473,204
	<u>\$ 5,345,963</u>	<u>\$ 5,143,441</u>

Liabilities and Net Assets

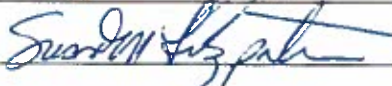
Current liabilities:		
Accounts payable and accrued liabilities (notes 3 and 7)	\$ 1,187,418	\$ 1,508,764
Deferred Entrepreneur and Management Training fund	7,217	-
Deferred revenue (note 4)	3,145,664	2,693,716
Deferred industry funds	250,000	250,000
	<u>4,590,299</u>	<u>4,452,480</u>
Deferred capital contributions (note 6)	196,895	211,817
Deferred lease inducement	232,344	261,387
Net assets	326,425	217,757
Commitments (note 10)		
	<u>\$ 5,345,963</u>	<u>\$ 5,143,441</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, 2015, with comparative information for 2014

	2015	2014
Revenue:		
Grant - Ministry of Research and Innovation	\$ 19,562,974	\$ 17,277,353
Grant - Federal Economic Development Agency	66,577	2,751,063
Donations	40,116	50,000
Interest	70,188	45,310
Other grants	12,783	5,725
	<u>19,752,638</u>	<u>20,129,451</u>
Expenses (note 9):		
Research Programs	12,851,405	10,435,764
Informatics and Analysis	3,090,115	3,099,997
Administrative support	1,766,809	1,777,396
Knowledge Translation	959,051	942,430
Industry and Education	910,013	1,086,117
Neuro Tech	66,577	2,708,635
	<u>19,643,970</u>	<u>20,050,339</u>
Excess of revenue over expenses	108,668	79,112
Net assets, beginning of year	217,757	138,645
Net assets, end of year	\$ 326,425	\$ 217,757

See accompanying notes to financial statements.

ONTARIO BRAIN INSTITUTE

Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 108,668	\$ 79,112
Items not involving cash:		
Amortization of capital assets	94,613	73,460
Amortization of deferred capital contributions	(65,570)	(44,417)
Amortization of deferred lease inducement	(29,043)	(29,043)
Change in non-cash operating working capital:		
Other receivable	919,000	601,806
Prepaid expenses and deposits	(243,493)	(293,393)
Accounts payable and accrued liabilities	(321,346)	(397,275)
Due to the Ministry of Economic Development and Innovation	-	(23,967)
Deferred revenue	459,165	2,572,846
	<u>921,994</u>	<u>2,539,129</u>
Financing activities:		
Receipt of deferred capital contributions	50,647	170,624
Investing activities:		
Additions to capital assets	(50,647)	(170,624)
Increase in cash	921,994	2,539,129
Cash, beginning of year	3,135,255	596,126
Cash, end of year	<u>\$ 4,057,249</u>	<u>\$ 3,135,255</u>

See accompanying notes to financial statements.

ONTARIO BRAIN INSTITUTE

Notes to Financial Statements

Year ended March 31, 2015

Ontario Brain Institute ("OBI") was previously incorporated on February 23, 2010 under the Canada Corporations Act as a not-for-profit organization without share capital. On April 2, 2013, OBI was continued under the Canada Not-for-profit Corporations Act.

OBI is funded by the Government of Ontario. OBI has entered into a new contract with the Ministry of Research and Innovation (the "Ministry") beginning April 1, 2013. The Ministry has committed funding to OBI of \$100,000,000 over five years.

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 ("Not-For-Profit Standards") 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 period in which the related expenses are incurred.

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

Interest income is recognized as revenue when earned.

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Notes to Financial Statements (continued)

Year ended March 31, 2015

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
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. Freestanding derivative instruments that are not in a qualifying hedging relationship 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 period, 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, 2015

1. Significant accounting policies (continued):

(d) Allocation and attribution 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.

(e) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to estimates and assumptions include the carrying value of other receivable and capital assets and certain accrued liabilities. Actual results could differ from those estimates.

2. Capital assets:

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware	\$ 76,736	\$ 56,540	\$ 20,196	\$ 37,470
Website	99,989	40,747	59,242	23,526
Furniture and equipment	160,361	53,229	107,132	139,204
Leasehold improvement	303,337	60,668	242,669	273,004
	\$ 640,423	\$ 211,184	\$ 429,239	\$ 473,204

Included in administrative support expense is amortization of capital assets of \$94,613 (2014 - \$73,460).

3. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$5,088 (2014 - \$6,192), which includes amounts payable for payroll-related taxes.

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Notes to Financial Statements (continued)

Year ended March 31, 2015

4. Deferred revenue:

Funds received but not yet spent on intended restrictions are deferred and recognized in the year the expenditures are incurred.

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

	2015	2014
Balance, beginning of year	\$ 2,693,716	\$ 120,870
Contributions received	19,949,352	22,603,816
Amounts amortized to revenue	(19,497,404)	(20,030,970)
Balance, end of year	\$ 3,145,664	\$ 2,693,716

5. Deferred lease inducement:

The deferred lease inducement represents a leasehold improvement inducement received 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.

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

	2015	2014
Balance, beginning of year	\$ 211,817	\$ 85,610
Contributions received	50,648	170,624
Amounts amortized to revenue	(65,570)	(44,417)
Balance, end of year	\$ 196,895	\$ 211,817

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Notes to Financial Statements (continued)

Year ended March 31, 2015

7. Related party transactions:

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

All related party transactions are conducted at arm's-length basis and are recorded at fair value.

Included in accounts payable and accrued liabilities and other receivable are amounts payable to or receivable from the Foundation and outstanding at each year end as follows:

	2015	2014
Payable to the Foundation	\$ -	\$ 26,442

8. Ontario Brain Institute Foundation:

The Foundation was incorporated under the Canada Corporations Act on March 3, 2010 and 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, 2015

8. Ontario Brain Institute Foundation (continued):

Financial summaries of the Foundation, reported in accordance with Not-For-Profit Standards, are as follows:

(a) Financial position:

	2015	2014
Assets		
Cash	\$ 2,309,791	\$ 2,300,693
Accounts receivable	1,721	26,443
Sales tax receivable	79	2,690
	<u>\$ 2,311,591</u>	<u>\$ 2,329,826</u>
Liabilities and fund balances		
Accounts payable and accrued liabilities	\$ 33,055	\$ 3,990
Fund balances	2,278,536	2,325,836
	<u>\$ 2,311,591</u>	<u>\$ 2,329,826</u>

(b) Changes in fund balances:

	2015	2014
Fund balances, beginning of year	\$ 2,325,836	\$ 2,414,756
Revenue	-	305,908
Expenses	(47,300)	(394,828)
Fund balances, end of year	<u>\$ 2,278,536</u>	<u>\$ 2,325,836</u>

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Notes to Financial Statements (continued)

Year ended March 31, 2015

9. Expenses:

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

	2015	2014
Administrative support	\$ 928,571	\$ 930,924
Knowledge Translation	434,636	353,996
Informatics and Analysis	445,438	273,282
Research Programs	648,395	611,588
Industry and Education	503,515	351,990
Neuro Tech	3,207	68,082
	<u>\$ 2,963,762</u>	<u>\$ 2,589,862</u>

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:

2016	\$ 1,568,836
2017	440,179
2018	350,932
2019	323,272
2020 and thereafter	1,313,214
	<u>\$ 3,996,433</u>

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Notes to Financial Statements (continued)

Year ended March 31, 2015

10. Commitments (continued):

(b) Grant commitments:

OBI has approved grants of approximately \$37,327,000 (2014 - \$47,400,000), 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.

2016	\$ 12,199,000
2017	12,174,000
2018	12,954,000
	<hr/>
	\$ 37,327,000

11. 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 2014.