

Financial Statements of

ONTARIO BRAIN INSTITUTE

And Independent Auditors' Report thereon

Year ended March 31, 2021



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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, 2021
- 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, 2021, 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.



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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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

July 20, 2021

ONTARIO BRAIN INSTITUTE

Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,902,054	\$ 3,838,355
Other receivables	201,558	306,589
Prepaid expenses and deposits	164,362	191,931
	<u>3,267,974</u>	<u>4,336,875</u>
Capital assets (note 2)	1,135,107	1,337,760
	<u>\$ 4,403,081</u>	<u>\$ 5,674,635</u>

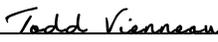
Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 1,176,193	\$ 1,177,164
Deferred revenue (note 5)	1,503,703	2,511,577
Deferred industry funds	139,000	160,000
	<u>2,818,896</u>	<u>3,848,741</u>
Deferred capital contributions (note 7)	507,543	606,057
Deferred lease inducement (note 6)	627,564	731,703
Net assets	449,078	488,134
Commitments (note 11)		
	<u>\$ 4,403,081</u>	<u>\$ 5,674,635</u>

See accompanying notes to financial statements.

On behalf of the Board:

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 Director
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 Director
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ONTARIO BRAIN INSTITUTE

Statement of Operations and Changes in Net Assets

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Grant - Ministry of College and Universities	\$ 21,106,388	\$ 19,515,036
Interest	12,946	57,828
Other (note 11)	721,716	1,571,167
	<u>21,841,050</u>	<u>21,144,031</u>
Expenses (note 10):		
Research Programs	11,474,394	10,699,650
Informatics and Analysis	3,137,329	3,619,462
Industry and Education (note 3)	2,846,742	2,565,577
Administrative support (note 2)	3,152,074	2,984,873
Knowledge Translation	1,269,567	1,213,080
	<u>21,880,106</u>	<u>21,082,642</u>
Excess (deficiency) of revenue over expenses	(39,056)	61,389
Net assets, beginning of year	488,134	426,745
Net assets, end of year	\$ 449,078	\$ 488,134

See accompanying notes to financial statements.

ONTARIO BRAIN INSTITUTE

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (39,056)	\$ 61,389
Items not involving cash:		
Amortization of capital assets	254,047	276,349
Amortization of deferred capital contributions	(149,908)	(172,210)
Amortization of deferred lease inducement	(104,139)	(104,139)
Allowance for promissory notes	1,994,892	1,054,536
Change in non-cash operating working capital:		
Other receivables	105,031	695,529
Prepaid expenses and deposits	27,569	101,790
Accounts payable and accrued liabilities	(971)	(431,089)
Deferred revenue	(1,007,874)	178,180
Deferred industry funds	(21,000)	(72,894)
	1,058,591	1,587,441
Financing activities:		
Receipt of deferred capital contributions	51,394	478,995
Investing activities:		
Additions to capital assets	(51,394)	(22,873)
Issuance of promissory notes	(1,994,892)	(1,054,536)
	(2,046,286)	(1,077,409)
Increase (decrease) in cash and cash equivalents	(936,301)	989,027
Cash and cash equivalents, beginning of year	3,838,355	2,849,328
Cash and cash equivalents, end of year	\$ 2,902,054	\$ 3,838,355

See accompanying notes to financial statements.

ONTARIO BRAIN INSTITUTE

Notes to Financial Statements

Year ended March 31, 2021

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 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 Colleges and Universities (the "Ministry") administers 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.

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Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on account and guaranteed investment certificates.

(c) 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.

(d) 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.

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Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

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.

(e) 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.

(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. Actual results could differ from those estimates.

2. Capital assets:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware	\$ 148,189	\$ 126,808	\$ 21,381	\$ 4,259
Computer software	174,224	149,356	24,868	45,271
Website	150,093	145,624	4,469	13,949
Furniture and equipment	232,959	139,646	93,313	130,180
Leasehold improvement	1,530,250	539,174	991,076	1,144,101
	\$ 2,235,715	\$ 1,100,608	\$ 1,135,107	\$ 1,337,760

Included in administrative support expense is amortization of capital assets of \$254,047 (2020 - \$276,349).

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Notes to Financial Statements (continued)

Year ended March 31, 2021

3. Promissory notes:

In 2020, OBI changed the form of funding that it provides to Neurotech Early Research Development entities to be in the form of loans where previously, OBI extended grants to these types of entities. During the year, OBI issued interest bearing convertible promissory notes to nine (2020 - five) companies totaling \$1,994,892 (2020 - \$1,054,536), including accrued interest. Certain promissory notes are convertible into common shares of the companies at the option of OBI at any time prior to the repayment or maturity date.

Given that these organizations are start-up companies, the risk of default of repayment is great and there is low probability that there will be value in equity in the future. Management assessed the recoverability of these notes and recorded a full allowance on the balance as at March 31, 2021 and March 31, 2020.

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$953 (2020 - \$574), which includes amounts payable for payroll-related taxes.

5. 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:

	2021	2020
Balance, beginning of year	\$ 2,511,577	\$ 2,333,397
Contributions received	19,948,606	19,521,006
Amounts amortized to revenue	(20,956,480)	(19,342,826)
Balance, end of year	\$ 1,503,703	\$ 2,511,577

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Notes to Financial Statements (continued)

Year ended March 31, 2021

6. 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.

7. 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:

	2021	2020
Balance, beginning of year	\$ 606,057	\$ 299,272
Contributions received	51,394	478,995
Amounts amortized to revenue	(149,908)	(172,210)
Balance, end of year	\$ 507,543	\$ 606,057

8. 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.

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Notes to Financial Statements (continued)

Year ended March 31, 2021

9. Ontario Brain Institute Foundation:

The Foundation continued under the Canada 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.

Financial summaries of the Foundation are as follows:

(a) Financial position:

	2021	2020
Assets		
Cash	\$ 570,319	\$ 562,491
Other receivables	2,069	1,247
	\$ 572,388	\$ 563,738
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 58,835	\$ 8,653
Net assets	513,553	555,085
	\$ 572,388	\$ 563,738

(b) Statement of operations:

	2021	2020
Revenue	\$ 64,499	\$ 134,699
Expenses	106,031	161,112
Deficiency of revenue over expenses	\$ (41,532)	\$ (26,413)

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Notes to Financial Statements (continued)

Year ended March 31, 2021

9. Ontario Brain Institute Foundation (continued):

(c) Changes in net assets:

	2021	2020
Net assets, beginning of year	\$ 555,085	\$ 581,498
Deficiency of revenue over expenses	(41,532)	(26,413)
Net assets, end of year	\$ 513,553	\$ 555,085

(d) Statement of cash flows:

	2021	2020
Increase (decrease) in cash from operating activities	\$ 7,828	\$ (27,232)
Cash, beginning of year	562,491	589,723
Cash, end of year	\$ 570,319	\$ 562,491

10. Expenses:

Salaries and benefit expenses included in expenses are as follows:

	2021	2020
Research Programs	\$ 575,544	\$ 533,794
Informatics and Analysis	339,020	285,764
Industry and Education	547,617	525,310
Administrative support	1,510,162	1,311,695
Knowledge Translation	645,271	581,323
	\$ 3,617,614	\$ 3,237,886

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Notes to Financial Statements (continued)

Year ended March 31, 2021

11. 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. OBI sub-leases certain premises, revenue of which is recorded in other revenue. OBI maintains ultimate responsibility related to the leases between OBI and the landlords. The future minimum payments for leases and other services, net of sub-lease receipts, are as follows:

	OBI's commitments	Sub-lease receipts	Total
2022	\$ 2,642,851	\$ (641,914)	\$ 2,000,937
2023	1,960,334	(641,914)	1,318,420
2024	873,325	(321,012)	552,313
2025	807,346	(298,395)	508,951
2026	807,346	(298,395)	508,951
Thereafter	2,085,645	(770,854)	1,314,791
	<u>\$ 9,176,847</u>	<u>\$ (2,972,484)</u>	<u>\$ 6,204,363</u>

(b) Grant commitments:

OBI has approved grants of \$19,460,000 (2020 - \$29,493,591), 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.

2022	\$ 9,885,000
2023	9,575,000
	<u>\$ 19,460,000</u>

ONTARIO BRAIN INSTITUTE

Notes to Financial Statements (continued)

Year ended March 31, 2021

12. Additional information:

Reconciliation of statement of operations to Ministry Report:

Total operating revenue	\$ 21,841,050
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Add:

Deferred operating contributions	1,265,271
	<u>23,106,321</u>

Less:

Non-Ministry revenue	80,107
Amortization of deferred industry funds	21,000
Deferred capital contributions, net change	98,514
Sublease revenue	633,555
	<u>833,176</u>

Total Ministry revenue	\$ 22,273,145
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Total operating expenses	\$ 21,880,106
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Add:

Purchase of capital assets	51,394
	<u>21,931,500</u>

Less:

Expenses funded through non-ministry revenue	140,163
Change in prepaid expenses and deposits	21,570
Amortization of capital assets (net of leasehold inducement)	149,908
Rent expense on subleased offices	633,555
	<u>945,196</u>

Total Ministry expenses	\$ 20,986,304
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Notes to Financial Statements (continued)

Year ended March 31, 2021

13. Financial risks:

OBI believes that it is not exposed to significant interest-rate risk as it invests only in guaranteed investment certificates with fixed interest rates. Additionally, OBI believes that it is not exposed to significant market or cash flow risk arising from its financial instruments. There is no change to the risk exposure from 2020, inclusive of COVID-19.

(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. Refer to note 3.