

Financial Statements

**The Gairdner Foundation**

December 31, 2009

## AUDITORS' REPORT

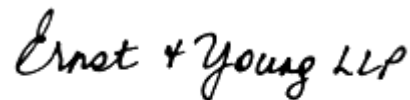
To the Members of  
**The Gairdner Foundation**

We have audited the statement of financial position of **The Gairdner Foundation** as at December 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Corporations Act (Ontario), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding period.

Toronto, Canada,  
February 19, 2010.



Chartered Accountants  
Licensed Public Accountants

## The Gairdner Foundation

### STATEMENT OF FINANCIAL POSITION

As at December 31

	2009	2008
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	337,666	231,519
Grants receivable	95,708	136,286
Other receivables	87,113	31,684
Prepaid expenses and deposits	1,750	1,750
	<u>522,237</u>	401,239
Investments, at quoted market value <i>[note 3]</i>	25,987,114	23,520,799
Capital assets, net <i>[note 4]</i>	8,823	9,035
	<u>26,518,174</u>	23,931,073
<b>LIABILITIES and NET ASSETS</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	279,323	134,537
	<u>20,371,867</u>	18,999,422
Federal government funding <i>[note 5]</i>	20,371,867	18,999,422
Alberta government funding <i>[note 6]</i>	2,118,171	1,897,983
	<u>22,490,038</u>	20,897,405
	<u>22,769,361</u>	21,031,942
<b>Net assets</b>		
Unrestricted	500,000	2,899,131
Internally restricted <i>[note 8]</i>	3,248,813	—
	<u>3,748,813</u>	2,899,131
	<u>26,518,174</u>	23,931,073

*See accompanying notes*

On behalf of the Board:

Director

Director

## The Gairdner Foundation

### STATEMENT OF OPERATIONS

Year ended December 31

	2009	2008
	\$	\$
<b>REVENUE</b>		
Investment income (loss) <i>[note 3]</i>		
Interest and dividends	85,322	147,636
Realized gain (loss) on investments	7,094	(141,301)
Net change in unrealized gain (loss) on investments	241,030	(145,399)
	<b>333,446</b>	<b>(139,064)</b>
Federal government grant funding <i>[note 5]</i>	840,236	85,695
Other government grants	911,381	375,000
Other contributions and sponsorships	901,036	538,554
Table sales	388,297	168,400
	<b>3,374,396</b>	<b>1,028,585</b>
<b>EXPENSES</b>		
National events	844,836	423,797
Advisory boards	100,780	97,878
Awards	700,000	180,000
Marketing and communications	144,046	79,505
Administrative	735,052	717,248
	<b>2,524,714</b>	<b>1,498,428</b>
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>849,682</b>	<b>(469,843)</b>

*See accompanying notes*

The Gairdner Foundation

STATEMENT OF CHANGES IN NET ASSETS

	2009		Total \$
	Unrestricted \$	Internally restricted \$	
		<i>[note 8]</i>	
<b>Balance, beginning of year</b>	2,899,131	—	2,899,131
Excess of revenue over expenses	849,682	—	849,682
Interfund transfer	(3,248,813)	3,248,813	—
<b>Balance, end of year</b>	500,000	3,248,813	3,748,813

	2008		Total \$
	Unrestricted \$	Unrestricted appreciation of investments \$	
<b>Balance, beginning of year</b>	3,368,974	35,243	3,404,217
Deficiency of revenue over expenses	(469,843)	—	(469,843)
Net change in unrealized loss on investment	—	(35,243)	(35,243)
<b>Balance, end of year</b>	2,899,131	—	2,899,131

*See accompanying notes*

## The Gairdner Foundation

### STATEMENT OF CASH FLOWS

Year ended December 31

	2009	2008
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenses for the year	<b>849,682</b>	(469,843)
Add (deduct) non-cash items		
Amortization of capital assets	<b>3,107</b>	3,170
Investment loss (income)	<b>(333,446)</b>	139,064
Government funding recognized as revenue	<b>(840,236)</b>	(85,695)
	<b>(320,893)</b>	(413,304)
Net change in non-cash working capital balances related to operations		
Grants receivable	<b>40,578</b>	(136,286)
Other receivables	<b>(55,429)</b>	(13,757)
Accounts payable and accrued liabilities	<b>144,786</b>	3,127
<b>Cash used in operating activities</b>	<b>(190,958)</b>	(560,220)
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	<b>(2,895)</b>	(7,954)
Net transfer from (to) investment managers	<b>300,000</b>	(21,308,113)
<b>Cash provided by (used in) investing activities</b>	<b>297,105</b>	(21,316,067)
<b>FINANCING ACTIVITIES</b>		
Receipt of government funding	—	22,000,000
<b>Cash provided by financing activities</b>	—	22,000,000
<b>Net increase in cash and cash equivalents during the year</b>	<b>106,147</b>	123,713
Cash and cash equivalents, beginning of year	<b>231,519</b>	107,806
<b>Cash and cash equivalents, end of year</b>	<b>337,666</b>	231,519

*See accompanying notes*

## **The Gairdner Foundation**

# **NOTES TO FINANCIAL STATEMENTS**

December 31, 2009

### **1. PURPOSE OF THE ORGANIZATION**

The Gairdner Foundation [the "Foundation"] provides awards to medical scientists in recognition of outstanding discoveries and contributions to medical science, and as an incentive to those who follow in their footsteps. In addition to encouraging and rewarding individuals, the Foundation presents the Gairdner Awards in order to focus public, professional and scientific attention on significant achievements in the field of health sciences.

The Foundation, which was incorporated under the laws of Ontario, is registered as a charitable organization under the Income Tax Act (Canada) [the "Act"] and, as such, is exempt from income taxes, and is able to issue donation receipts for income tax purposes.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Foundation have been prepared in accordance with Canadian generally accepted accounting principles. The following summary of significant accounting policies is set forth to facilitate the understanding of these financial statements:

#### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on deposit and short-term investments with maturities of less than 90 days at the date of purchase. Cash and cash equivalents exclude amounts that are managed for returns rather than being held for liquidity.

#### **Investments and investment income**

Publicly traded securities are valued based on the bid price and pooled funds are valued based on reported unit values. Short-term securities are valued based on cost plus accrued income, which approximates fair value. Transactions are recorded on a settlement date basis and transaction costs are expensed as incurred.

Investment income (loss), which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, net of safekeeping and investment management expenses, is recorded as revenue in the statement of operations, except to the extent that they relate to restricted funds, in which case they are added directly to those balances.

## The Gairdner Foundation

### NOTES TO FINANCIAL STATEMENTS

December 31, 2009

#### Capital assets

Capital assets are recorded at acquisition cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is recorded in the accounts at rates intended to write off the cost of the assets over their estimated useful lives.

Rates and methods of amortization are as follows:

<b>Asset</b>	<b>Rate</b>	<b>Method</b>
Office equipment	20%	diminishing balance
Computer equipment	30%	diminishing balance

#### Revenue recognition

The Foundation follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the period in which the related expenses are recognized. Endowment contributions are recognized as direct increases in net assets in the period in which they are received. Sponsorships and related event revenue are recognized when the event takes place.

#### Foreign currency translation

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the year end date. Non-monetary assets and liabilities are translated at the historic rate. Exchange gains and losses are included in investment income (loss).

#### Financial instruments

The Foundation has chosen to apply CICA 3861: *Financial Instruments – Disclosure and Presentation* in place of CICA 3862: *Financial Instruments – Disclosures* and CICA 3863: *Financial Instruments – Presentation*.



## The Gairdner Foundation

### NOTES TO FINANCIAL STATEMENTS

December 31, 2009

#### Contributed goods and services

Because of the difficulty in determining fair value, contributed goods and services are not recognized in the financial statements.

#### Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

### 3. INVESTMENTS

Investments consist of the following:

	<b>2009</b>		<b>2008</b>	
	\$	%	\$	%
Cash and cash equivalents	<b>1,335,579</b>	<b>5.1</b>	3,204,202	13.6
Bonds				
Canadian corporate bonds	<b>14,050,668</b>	<b>54.1</b>	13,911,758	59.2
Foreign bonds	<b>114,662</b>	<b>0.4</b>	—	—
Equities				
Canadian	<b>4,489,534</b>	<b>17.3</b>	2,898,484	12.3
US	<b>2,181,089</b>	<b>8.4</b>	1,169,505	5.0
International	<b>3,815,582</b>	<b>14.7</b>	2,336,850	9.9
	<b>25,987,114</b>	<b>100.0</b>	23,520,799	100.0

As at December 31, 2009, bonds have an average term to maturity of 6.60 years [2008 - 6.96 years] and an average yield of 3.40% [2008 - 4.05%].

Fees of \$0.2 million [2008 - \$0.1 million] were paid to investment managers and deducted from investment income.

## The Gairdner Foundation

### NOTES TO FINANCIAL STATEMENTS

December 31, 2009

#### 4. CAPITAL ASSETS

Capital assets consist of the following:

	2009		
	Cost \$	Accumulated amortization \$	Net book value \$
Office equipment	9,877	6,098	3,779
Computer equipment	14,237	9,193	5,044
	<b>24,114</b>	<b>15,291</b>	<b>8,823</b>

	2008		
	Cost \$	Accumulated amortization \$	Net book value \$
Office equipment	9,086	5,153	3,933
Computer equipment	12,133	7,031	5,102
	<b>21,219</b>	<b>12,184</b>	<b>9,035</b>

#### 5. FEDERAL GOVERNMENT FUNDING

The Foundation received a \$20,000,000 grant from the Federal Government in 2008 for the purpose of supporting and enhancing the Gairdner International Awards Program. This grant is to be invested for the duration of the funding agreement and only the income, which includes interest, dividends and realized capital gains/losses, may be used to support the Foundation's activities until the funding agreement terminates. The Foundation can draw upon the capital to a maximum of \$2 million over the term of the funding agreement, provided it uses best efforts to restore any capital withdrawn.

The funding agreement terminates on March 31, 2028, unless terminated earlier, or renewed, in accordance with the funding agreement. Upon termination, the Foundation may use the unspent balance of the original grant as it deems appropriate.

## The Gairdner Foundation

### NOTES TO FINANCIAL STATEMENTS

December 31, 2009

The changes in the Government of Canada funding balance are as follows:

	2009 \$	2008 \$
<b>Balance, beginning of year</b>	<b>18,999,422</b>	—
Contributions received	—	20,000,000
Interest and dividends	<b>563,018</b>	223,682
Realized gain (loss)	<b>46,809</b>	(63,888)
Net change in unrealized gain (loss)	<b>1,602,854</b>	(1,074,677)
Amount recognized as revenue	<b>(840,236)</b>	(85,695)
<b>Balance, end of year</b>	<b>20,371,867</b>	18,999,422

As at December 31, 2009, the cumulative amount recognized as revenue exceeds the amount available for spending, as defined in the funding agreement, by \$156,310 [2008 - nil].

#### 6. ALBERTA GOVERNMENT FUNDING

The Foundation received \$2 million from the Alberta government in 2008 for the purpose of expanding the Gairdner Outreach Program in Alberta. The funds received from the Alberta government are to be invested during the term of the funding agreement, and only the income may be used to support the Alberta Gairdner Outreach Program. The Foundation can draw upon the capital to a maximum of \$250,000 over the term of the funding agreement, provided it uses best efforts to restore any capital withdrawn.

The grant has an indeterminate term, however the funding agreement is to be reviewed at least every five years. The Alberta government has the right to terminate the agreement without cause, upon giving 90 days notice. Upon termination, the remaining balance of the fund not previously committed for outreach activities must be repaid.

## The Gairdner Foundation

### NOTES TO FINANCIAL STATEMENTS

December 31, 2009

The changes in the Government of Alberta funding balance are as follows:

	2009	2008
	\$	\$
<b>Balance, beginning of year</b>	<b>1,897,983</b>	—
Contributions received	—	2,000,000
Interest and dividends	<b>56,027</b>	11,285
Realized gain (loss)	<b>4,658</b>	(6,358)
Net change in unrealized gain (loss)	<b>159,503</b>	(106,944)
<b>Balance, end of year</b>	<b>2,118,171</b>	1,897,983

As at December 31, 2009, the amount available for spending in future years is \$118,171 [2008 - nil].

#### 7. FINANCIAL INSTRUMENTS

The Foundation is subject to market risk, foreign currency risk and interest rate price risk with respect to its investment portfolio. To manage these risks, the Foundation has established a target mix of investment types designed to achieve optimal return within reasonable risk tolerances.

#### 8. INTERNALLY RESTRICTED NET ASSETS

Internally restricted net assets are funds set aside by the Board of Directors to invest in order to earn income to help fund future operating expenses. In 2009, the Board approved an interfund transfer from unrestricted to internally restricted net assets of \$3,248,813. The Board of Directors may approve a transfer from internally restricted net assets, if required, to fund unanticipated deficits from fundraising shortfalls or unanticipated expenditures.

#### 9. CAPITAL MANAGEMENT

In managing capital, the Foundation focuses on liquid resources available for operations. The Foundation's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at December 31, 2009, the Foundation has met its objective of having sufficient liquid resources to meet its current obligations.

**The Gairdner Foundation**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2009

**10. COMPARATIVE FINANCIAL STATEMENTS**

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2009 financial statements.