

Financial Statements

The Gairdner Foundation

December 31, 2013



INDEPENDENT AUDITORS' REPORT

To the Members of
The Gairdner Foundation

We have audited the accompanying financial statements of **The Gairdner Foundation**, which comprise the statement of financial position as at December 31, 2013, and the statements of operations, changes in net assets and cash flows for the year then ended, and 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 the auditors' 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 auditors 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 **The Gairdner Foundation** as at December 31, 2013 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.

Toronto, Canada,
May 7, 2014.

Ernst + Young LLP

Chartered Accountants
Licensed Public Accountants

The Gairdner Foundation

STATEMENT OF FINANCIAL POSITION

As at December 31

	2013	2012
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	159,783	260,270
Grants receivable	6,353	—
GST/HST receivable	65,011	60,825
Other receivables	28,231	15,987
	<u>259,378</u>	<u>337,082</u>
Investments <i>[note 3]</i>	29,976,693	27,354,614
Capital assets, net <i>[note 4]</i>	2,932	7,224
	<u>30,239,003</u>	<u>27,698,920</u>
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	432,837	508,647
	<u>432,837</u>	<u>508,647</u>
Federal government funding <i>[note 5]</i>	21,710,221	20,033,953
Alberta government funding <i>[note 6]</i>	2,312,260	2,157,084
	<u>24,022,481</u>	<u>22,191,037</u>
	<u>24,455,318</u>	<u>22,699,684</u>
Commitment <i>[note 8]</i>		
Net assets		
Unrestricted	500,000	500,000
Internally restricted <i>[note 7]</i>	5,283,685	4,499,236
	<u>5,783,685</u>	<u>4,999,236</u>
	<u>30,239,003</u>	<u>27,698,920</u>

See accompanying notes

On behalf of the Board:

Director

Director



The Gairdner Foundation

STATEMENT OF OPERATIONS

Year ended December 31

	2013	2012
	\$	\$
REVENUE		
Investment income <i>[note 3]</i>		
Interest and dividends	132,132	144,379
Realized gain on investments	193,899	222,581
Net change in unrealized gain on investments	287,352	(47,888)
	613,383	319,072
Federal government grant funding <i>[note 5]</i>	781,802	856,131
Alberta government grant funding <i>[note 6]</i>	109,488	91,694
Other government grants	447,971	372,000
Other contributions and sponsorships	384,784	457,141
Table sales	628,000	628,000
	2,965,428	2,724,038
EXPENSES		
National events	590,063	469,146
Advisory boards	135,276	110,811
Awards	600,000	700,000
Marketing and communications	38,737	41,656
Administrative	816,903	830,785
	2,180,979	2,152,398
Excess of revenue over expenses for the year	784,449	571,640

See accompanying notes



The Gairdner Foundation

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31

	2013		Total
	Unrestricted	Internally restricted	
	\$	\$	\$
		<i>[note 7]</i>	
Balance, beginning of year	500,000	4,499,236	4,999,236
Excess of revenue over expenses for the year	784,449	—	784,449
Interfund transfer <i>[note 7]</i>	(784,449)	784,449	—
Balance, end of year	500,000	5,283,685	5,783,685

	2012		Total
	Unrestricted	Internally restricted	
	\$	\$	\$
		<i>[note 7]</i>	
Balance, beginning of year	500,000	3,927,596	4,427,596
Excess of revenue over expenses for the year	571,640	—	571,640
Interfund transfer <i>[note 7]</i>	(571,640)	571,640	—
Balance, end of year	500,000	4,499,236	4,999,236

See accompanying notes



The Gairdner Foundation

STATEMENT OF CASH FLOWS

Year ended December 31

	2013	2012
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	784,449	571,640
Add (deduct) non-cash items		
Amortization of capital assets	5,119	2,458
Investment income	(613,383)	(319,070)
Government funding recognized as revenue	(891,290)	(947,826)
	(715,105)	(692,798)
Changes in non-cash working capital balances related to operations		
Grants receivable	(6,353)	—
GST/HST receivable	(4,186)	2,358
Other receivables	(12,244)	(5,987)
Accounts payable and accrued liabilities	(75,810)	176,790
Cash used in operating activities	(813,698)	(519,637)
INVESTING ACTIVITIES		
Purchase of capital assets	(827)	(652)
Withdrawals from investments	714,038	496,213
Cash provided by investing activities	713,211	495,561
Net decrease in cash and cash equivalents during the year	(100,487)	(24,076)
Cash and cash equivalents, beginning of year	260,270	284,346
Cash and cash equivalents, end of year	159,783	260,270

See accompanying notes



The Gairdner Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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, was incorporated under the laws of Ontario until October 2, 2013 and is currently incorporated under the Canada Not-for-Profit Corporations Act. The Foundation 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

These financial statements are prepared in accordance with Part III of the Chartered Professional Accountants of Canada Handbook – Accounting, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies set out below.

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.

Financial instruments

Investments reported at fair value consist of equity instruments that are quoted in an active market as well as investments in pooled funds and any investments in fixed income securities that the Foundation designates upon purchase to be measured at fair value. Transaction costs are recognized in the statement of operations in the period during which they are incurred.

Investments in fixed income securities not designated to be measured at fair value are initially recorded at fair value net of transaction costs and are subsequently measured at amortized cost using the straight-line method, less any provision for impairment.

Other financial instruments, including accounts receivable and accounts payable, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

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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:

Asset	Years	Method
Office equipment	5	straight-line
Computer equipment	3	straight-line

Revenue recognition

The Foundation follows the deferral method of accounting for contributions, which include grants and donations. Grants, bequests and other donations are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received, since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized. Sponsorships and related event revenues are recognized when the event takes place.

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 it relates to restricted contributions, in which case it is added directly to those balances.

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 the statement of operations except to the extent that they relate to investments, in which case they are accounted for consistent with investment income (loss).

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Contributed goods and services

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

3. INVESTMENTS

Investments consist of the following:

	2013		2012	
	\$	%	\$	%
Cash and cash equivalents	660,913	2.2	599,385	2.2
Bonds				
Canadian	12,757,108	42.6	13,204,941	48.3
Equities				
Canadian	5,239,821	17.4	4,335,905	15.8
US	4,333,614	14.5	1,633,372	6.0
Other international	4,520,667	15.1	5,033,173	18.4
Hedge funds	2,464,570	8.2	2,547,838	9.3
	29,976,693	100.0	27,354,614	100.0

Investments in pooled funds have been included above based on their underlying asset mix.

As at December 31, 2013, bonds have an average term to maturity of 7.5 years [2012 - 8.3 years] and a weighted average yield of 3.9% [2012 - 2.9%].

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NOTES TO FINANCIAL STATEMENTS

December 31, 2013

Investment income recorded in the statement of operations is calculated as follows:

	2013 \$	2012 \$
Interest and dividends	910,717	1,063,475
Realized gain on investments	1,054,596	1,307,613
Net change in unrealized gain on investments	1,562,872	(281,330)
Total investment income	3,528,185	2,089,758
Less safekeeping and investment management expenses	(192,068)	(215,285)
Investment income, net of safekeeping and investment management expenses	3,336,117	1,874,473
Less investment loss (income) related to:		
Federal government funding [note 5]	(2,458,070)	(1,404,238)
Alberta government funding [note 6]	(264,664)	(151,163)
Investment income recognized in revenue	613,383	319,072

4. CAPITAL ASSETS

Capital assets consist of the following:

	2013		
	Cost \$	Accumulated amortization \$	Net book value \$
Office equipment	6,569	4,494	2,075
Computer equipment	9,580	8,723	857
	16,149	13,217	2,932
	2012		
	Cost \$	Accumulated amortization \$	Net book value \$
Office equipment	9,254	5,571	3,683
Computer equipment	9,800	6,259	3,541
	19,054	11,830	7,224

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NOTES TO FINANCIAL STATEMENTS

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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 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 \$2,000,000 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 changes in the Government of Canada funding balance are as follows:

	2013	2012
	\$	\$
Balance, beginning of year	20,033,953	19,485,846
Interest and dividends	529,505	635,412
Realized gain on investments	777,032	979,581
Net change in unrealized gain on investments	1,151,533	(210,755)
Investment income for the year	2,458,070	1,404,238
Amount recognized as revenue	(781,802)	(856,131)
Balance, end of year	21,710,221	20,033,953

As at December 31, 2013, the amount available for spending in future years is \$711,161 [2012 - \$186,426].

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, which includes interest, dividends and realized gains/losses, 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.

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

	2013	2012
	\$	\$
Balance, beginning of year	2,157,084	2,097,615
Interest and dividends	57,013	68,400
Realized gain on investments	83,664	105,450
Net change in unrealized gain on investments	123,987	(22,687)
Investment income (loss) for the year	264,664	151,163
Amount recognized as revenue	(109,488)	(91,694)
Balance, end of year	2,312,260	2,157,084

As at December 31, 2013, the amount available for spending in future years is \$208,519 [2012 - \$177,329].

7. 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 2013, the Board approved an interfund transfer from unrestricted to internally restricted net assets of \$784,449 [2012 - \$571,640]. 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.

8. COMMITMENT

The Foundation is required to make future annual lease payments for its premises as follows:

	\$
2014	25,850

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9. FINANCIAL INSTRUMENTS

The Foundation is exposed to various financial risks through transactions in financial instruments.

Currency risk

The Foundation is exposed to foreign currency risk with respect to its investments denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

Interest rate risk

The Foundation is exposed to interest rate risk with respect to its investments in fixed income investments and pooled funds that holds fixed income securities because the fair value will fluctuate due to changes in market interest rates.

Other price risk

The Foundation is exposed to other price risk through changes in market prices [other than changes arising from interest rate or currency risks] in connection with its investments in equity securities and pooled funds.

