

Financial Statements of

NEUROSCIENCE CANADA PARTNERSHIP

Year ended December 31, 2013

NEUROSCIENCE CANADA PARTNERSHIP

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of NeuroScience Canada Partnership

We have audited the accompanying financial statements of NeuroScience Canada Partnership, which comprise the statement of financial position as at December 31, 2013, the statements of operations, 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.



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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of NeuroScience Canada Partnership as at December 31, 2013, 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.

*KPMG LLP**

February 13, 2014

Montréal, Canada

NEUROSCIENCE CANADA PARTNERSHIP

Statement of Financial Position

December 31, 2013, with comparative information for 2012

	2013	2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,301	\$ 1,322,549
Term deposits (note 2)	50,000	400,000
Receivable from Brain Canada Foundation	1,419,954	793,924
Other receivables	45,496	26,751
Prepays and deposits	97,566	74,191
	<u>1,614,317</u>	<u>2,617,415</u>
Computer equipment (note 3)	5,733	7,068
	<u>\$ 1,620,050</u>	<u>\$ 2,624,483</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 35,514	\$ 152,926
Salaries and benefits payable (note 4)	125,228	77,033
Deferred contributions (note 5)	1,353,776	2,288,992
	<u>1,514,518</u>	<u>2,518,951</u>
Net assets:		
Unrestricted net assets	99,799	98,464
Invested in computer equipment	5,733	7,068
	<u>105,532</u>	<u>105,532</u>
Contingency (note 8)		
	<u>\$ 1,620,050</u>	<u>\$ 2,624,483</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

NEUROSCIENCE CANADA PARTNERSHIP

Statement of Operations

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Revenues:		
Contributions (note 5):		
Brain Canada Foundation	\$ 2,776,030	\$ 3,512,447
Add amount recognized (less deferred amount)	935,216	(1,998,767)
	<u>3,711,246</u>	<u>1,513,680</u>
Other contributions	–	24,315
	<u>3,711,246</u>	<u>1,537,995</u>
Interest income	4,677	4,006
	<u>3,715,923</u>	<u>1,542,001</u>
Expenditures:		
Grants and awards (schedule)	2,079,225	452,115
Operating (schedule)	1,634,269	1,087,965
Amortization of computer equipment	2,429	1,921
	<u>3,715,923</u>	<u>1,542,001</u>
Unrealized loss from investments measured at fair value	–	(128,571)
Excess of expenditures over revenues	<u>\$ –</u>	<u>\$ (128,571)</u>

See accompanying notes to financial statements.

NEUROSCIENCE CANADA PARTNERSHIP

Statement of Changes in Net Assets

Year ended December 31, 2013, with comparative information for 2012

	Invested in computer equipment	Unrestricted	Total 2013	Total 2012
Balance, beginning of year	\$ 7,068	\$ 98,464	\$ 105,532	\$ 234,103
Excess of expenditures over revenues	(2,429) ⁽ⁱ⁾	2,429	–	(128,571)
Acquisition of computer equipment	1,094	(1,094)	–	–
Balance, end of year	\$ 5,733	\$ 99,799	\$ 105,532	\$ 105,532

⁽ⁱ⁾ Represents the amortization of the computer equipment.

See accompanying notes to financial statements.

NEUROSCIENCE CANADA PARTNERSHIP

Statement of Cash Flows

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Cash provided by (used in):		
Operating:		
Excess of expenditures over revenues	\$ –	\$ (128,571)
Items not involving cash:		
Amortization of computer equipment	2,429	1,921
Change in fair value of investments	–	128,571
Changes in non-cash components of operating working capital:		
Receivable from Brain Canada Foundation	(626,030)	(793,924)
Other receivables	(18,745)	(6,880)
Prepays and deposits	(23,375)	(25,637)
Accounts payable and accrued liabilities	(117,412)	130,477
Deferred contributions	(935,216)	1,958,767
Salaries and benefits payable	48,195	77,033
	(1,670,154)	1,341,757
Investing:		
Acquisition of computer equipment	(1,094)	(7,131)
Proceeds from disposal of term deposits	350,000	–
Purchase of term deposits	–	(110,000)
	348,906	(117,131)
Net (decrease) increase in cash and cash equivalents	(1,321,248)	1,224,626
Cash and cash equivalents, beginning of year	1,322,549	97,923
Cash and cash equivalents, end of year	\$ 1,301	\$ 1,322,549

See accompanying notes to financial statements.

NEUROSCIENCE CANADA PARTNERSHIP

Notes to Financial Statements

Year ended December 31, 2013

NeuroScience Canada Partnership (“NeuroScience Canada”) is a registered charity incorporated without share capital under Part II of the *Canada Corporations Act* on May 19, 2000. NeuroScience Canada is a charitable organization for federal and provincial tax purposes and is not subject to income taxes.

NeuroScience Canada grants funds raised through the Brain Canada Foundation to neuroscience researchers. The objectives of NeuroScience Canada are to fund scientists affiliated with Canadian universities, hospitals or other academic institutions involved in research and development programs in world competitive neuroscience of nationwide scope.

1. Significant accounting policies:

(a) Cash and cash equivalents:

Cash and cash equivalents include cash in bank and highly liquid investments with an original maturity of three months or less. As at December 31, 2013 and 2012, there were no cash equivalents.

(b) Computer equipment:

Computer equipment is recorded at cost. Amortization is calculated using the declining balance method using a 30% annual rate.

(c) Investments:

The investments in equity instruments that are quoted in an active market are measured at fair value. All other investments are measured at amortized cost.

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for estimated future selling costs.

(d) Revenue recognition:

NeuroScience Canada follows the deferral method of accounting for contributions. Externally restricted contributions relating to future period expenses are recognized as revenue in the year in which the related expenses are incurred. All other contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

NeuroScience Canada normally allocates 10% to 15% of contributions received during the year to fund operating expenses.

Investment income earned from externally restricted contributions is recognized as operating revenue unless otherwise specified by the donors.

NEUROSCIENCE CANADA PARTNERSHIP

Notes to Financial Statements (continued)

Year ended December 31, 2013

1. Significant accounting policies (continued):

(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 revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. 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.

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, NeuroScience Canada 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 NeuroScience Canada 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.

(g) Related party transactions:

Monetary related party transactions and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of business, except when the transaction is an exchange of a product or property held for sale in the normal course of operations. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount.

All other related party transactions are measured at the carrying amount.

NEUROSCIENCE CANADA PARTNERSHIP

Notes to Financial Statements (continued)

Year ended December 31, 2013

2. Term deposits:

	2013	2012
Guaranteed investment certificate, bearing interest at 1.12%, maturing in April 2014	\$ 50,000	\$ –
Guaranteed investment certificate, bearing interest at 1%, matured during the year	–	400,000
	\$ 50,000	\$ 400,000

3. Computer equipment:

			2013	2012
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 13,406	\$ 7,673	\$ 5,733	\$ 7,068

4. Salaries and benefits payable:

Included in salaries and benefits payable are government remittances payable of \$1,630 (2012 - \$3,018), which include amounts payable for payroll-related taxes.

5. Deferred contributions:

Deferred contributions represent unspent externally restricted resources, which are related to future periods.

	2013	2012
Balance, beginning of year	\$ 2,288,992	\$ 330,225
Contributions from Brain Canada Foundation	2,776,030	3,512,447
Less: amount recognized as revenues	(3,711,246)	(1,513,680)
Less: contribution reimbursed during the year	–	(40,000)
Balance, end of year	\$ 1,353,776	\$ 2,288,992

NEUROSCIENCE CANADA PARTNERSHIP

Notes to Financial Statements (continued)

Year ended December 31, 2013

6. Programs and commitments:

National Brain Repair Fund:

The National Brain Repair Fund was developed with the purpose of supporting excellent Canadian neuroscience researchers based at universities, hospitals and institutes across the country.

(a) Multi-Investigator Research Initiative:

The first competition of the Canada Brain Research Fund, the Multi-Investigator Research Initiative ("MIRI"), was launched on May 17, 2012. The aim of MIRI grants is to support multidisciplinary teams and to accelerate novel and transformative research that will fundamentally change our understanding of nervous system function and dysfunction and their impact on health. A total of \$1,145,834 was provided to the MIRI programs in 2013.

(b) Chagnon Family - Brain Canada MIRI:

On December 21, 2012, a joint venture between the Chagnon Family of Québec and the Brain Canada Foundation was announced. Over a term of five years, \$25 million will be provided to accelerate novel and transformative intervention research that will improve the prevention of Alzheimer Disease and Related Disorders ("ADRD"). It is expected that two to three teams will be funded, in the range of \$1 million to \$2 million per year per team. In 2013, \$2,500,000 (2012 - \$2,500,000) was provided by the Chagnon Family. These funds were recorded as deferred contributions in the December 31, 2013 Brain Canada Foundation financial statements, and will be transferred to NeuroScience Canada Partnership when the research programs will be approved.

(c) Azrieli Neurodevelopmental Research Program - Brain Canada MIRI:

On December 21, 2012, a partnership between the Azrieli Foundation (of Québec-Ontario-Israel) and the Brain Canada Foundation was announced. Teams of Canadian researchers, or teams involving Canadian and international scientists, will be supported. Over a term of five years, \$7.5 million will be allocated. Additional funds will be directed to support postdoctoral students working in this area. In 2013, \$850,000 (2012 - \$850,000) was provided by the Azrieli Foundation. These funds were recorded as deferred contributions in the December 31, 2013 Brain Canada Foundation financial statements, and will be transferred to NeuroScience Canada Partnership when the research programs will be approved.

(d) Training Awards:

The Training Awards are designed to promote the next generation of Canadian neuroscience researchers by providing them with guidance, mentorship and training under the direction of world-leading researchers. In 2013, \$301,666 was provided for the Bell Training Awards (Mental Health) and \$179,167 was provided for the CIBC Training Awards (Brain Cancer).

NEUROSCIENCE CANADA PARTNERSHIP

Notes to Financial Statements (continued)

Year ended December 31, 2013

6. Programs and commitments (continued):

(e) Brain Repair Program:

The Brain Repair Program was launched in November 2003. Through this program, NeuroScience Canada and its partners funded five multidisciplinary and multi-institutional teams of Canadian researchers focused on brain repair.

In 2011, a donor committed to providing half the funding to support one of the Brain Repair Program teams for an additional three years, the other half to be provided through the Contribution agreement with the Minister of Health (Note 7). A total of \$425,000 was provided to this team in 2013 (2012 - \$425,000).

(f) Barbara Turnbull Award:

The Barbara Turnbull Award is intended to recognize an outstanding researcher who has contributed to the advancement of world leading spinal cord research conducted in Canada. In 2013, \$25,000 (2012 - \$25,000) was provided for this award, half of which was provided by the Barbara Turnbull Foundation.

7. Related party transactions:

NeuroScience Canada is affiliated with the Brain Canada Foundation (the "Foundation"). The activities of the Foundation and NeuroScience Canada are closely coordinated and under common control. The Foundation's funds were granted to NeuroScience Canada to carry out the work supported by their donors and amounted to \$2,776,030 (2012 - \$3,512,447).

During the year ended December 31, 2012, the Foundation signed a multi-year contribution agreement with the Minister of Health. The purpose of the agreement is to support the establishment of the Canada Brain Research Fund, which will support the very best Canadian neuroscience, in order to improve the health and quality of life of Canadians who suffer from brain disorders. The Minister of Health has agreed to match, dollar for dollar, the funding received from non-governmental sources up to a maximum of \$100,000,000 over a six-year campaign. Any funding that the Foundation fails to match, as defined in the agreement, shall be repayable to the Minister of Health. In addition, the Minister of Health acknowledges and agrees that up to 10% of the funding for each year may be used by the Foundation for operating expenses and for the design of the research program, as defined in the agreement. The agreement expires on March 31, 2017. The contributions received by the Foundation will be transferred to NeuroScience Canada.

In 2012, the Foundation received an amount of \$20,000,000 from the Minister of Health to cover the twelve-month periods ended March 31, 2012 and March 31, 2013.

In 2013, the Foundation received an amount of \$6,747,567 from the Minister of Health that matches, dollar for dollar, the funding received from non-governmental sources since the beginning of the agreement at April 1, 2011.

NEUROSCIENCE CANADA PARTNERSHIP

Notes to Financial Statements (continued)

Year ended December 31, 2013

7. Related party transactions (continued):

In addition to the amounts received from the Minister of Health, the Foundation also received pledges from non-governmental sources. To date, the Foundation has received total pledges for the matching campaign of \$26,300,000. Since the beginning of the agreement at April 1, 2011, a total of \$12,152,476 has been collected, \$5,404,909 of which was collected during 2013. This amount will be matched by the Minister of Health once approved, as defined in the multi-year contribution agreement.

As at December 31, 2013 and 2012, the net assets, revenues and expenditures of the Foundation are as follows:

	2013	2012
Cash and cash equivalents	\$ 5,181,378	\$ 13,463,903
Short-term investments	28,766,530	10,113,287
Receivables	—	31,150
Payable to NeuroScience Canada Partnership	1,419,954	793,924
Deferred contributions	32,526,417	22,812,935
Revenues	2,776,030	3,512,447
Donations to NeuroScience Canada	2,776,030	3,512,447
Operating expenses	304	159

8. Contingency

The Organization was subject to a grievance which occurred during the year. This grievance relates to claims for damages for which the amounts were not determined, and for which it is impossible to evaluate the outcome at this stage. Therefore, no provision has been recorded in the financial statements related to this contingency.

9. Financial risks:

(a) Liquidity risk:

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

(b) Interest rate risk:

NeuroScience Canada is exposed to interest rate risk on its fixed interest rate investment. Fixed-rate instruments subject NeuroScience Canada to a fair value risk. However this risk is mitigated by the fact that the short-term investment matures in the short term.

NEUROSCIENCE CANADA PARTNERSHIP

Schedule - Grants and Awards Expenses and Operating Expenses

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Grants and awards:		
Multi-Investigator Research Initiative ("MIRI")	\$ 1,145,834	\$ -
Brain Repair Program - Dr. David Park	425,000	425,000
Bell Training Awards	301,666	-
CIBC Training Awards	179,167	-
Barbara Turnbull Award	25,000	25,000
Brain Repair Program - MHM Van Tol Award	2,558	2,115
	\$ 2,079,225	\$ 452,115
Operating:		
Salaries and wage levies	\$ 794,552	\$ 624,703
Professional fees	268,175	132,968
Fundraising campaign	154,202	100,973
Communications material	143,983	56,324
Travel	77,074	83,249
Scientific consulting fees	60,119	9,635
Administration	51,198	29,358
Website	24,032	307
Board meetings	21,213	13,399
Rent	17,090	16,961
Office	15,192	12,029
Directors' liability insurance	7,439	8,059
	\$ 1,634,269	\$ 1,087,965