Financial Statements of

RICK HANSEN INSTITUTE

And Independent Auditors' Report thereon

Year ended March 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Directors of Rick Hansen Institute

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Rick Hansen Institute (the Entity), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations and fund balances 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, 2019 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.

Other Matter – Comparative Information

The financial statements for the year ended March 31, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 26, 2018.

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.
- 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.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
June 26, 2019

RICK HANSEN INSTITUTE

Statement of Financial Position

March 31, 2019, with comparative information for year 2018

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	$ 3,847,434	$ 1,303,493
Short-term investments (note 3)	7,097,194	1,935,512
Accounts receivable	26,930	10,126,996
Prepaid expenses	98,120	74,719
	11,069,678	13,440,720
Capital assets (note 4)	101,853	37,456
Investment funds (note 10)	200,000	-
	$ 11,371,531	$ 13,478,176
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	$ 1,396,996	$ 1,192,188
Deferred contributions (note 6(a))	9,028,057	11,821,247
Deferred capital contributions (note 6(b))	-	37,457
	10,425,053	13,050,892
Net assets:		
Unrestricted funds (note 6(c))	946,478	427,284
	$ 11,371,531	$ 13,478,176

Commitments and contingencies (note 7)

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board:

_______________ Director _______________ Director

RICK HANSEN INSTITUTE

Statement of Operations and Fund Balances

Year ended March 31, 2019, with comparative information for year 2018

	2019	2018
Revenue:		
Grants and contributions (note 6(a))	$ 10,942,564	$ 10,467,564
Donations and sponsorships	3,450	3,227
Interest income	224,786	50,561
Other income	53,230	32,677
Amortization of deferred capital contributions (note 6(b))	37,457	50,709
	11,261,487	10,604,738
Expenses (note 9):		
Translational research	3,930,955	6,508,948
Best practice implementation	3,432,534	909,396
Commercialization	929,541	138,467
Informatics	1,053,190	1,168,889
Network development	315,243	497,707
Best and brightest awards	119,988	281,875
Consumer engagement	593,152	646,562
Fundraising	121,022	-
Management and administration	508,799	401,183
	11,004,424	10,553,027
Excess of revenue over expenses for the year	257,063	51,711
Adjustment to Unrestricted fund balance (note 6(c))	262,131	-
Unrestricted fund balance, beginning of year	427,284	375,573
Unrestricted fund balance, end of year	$ 946,478	$ 427,284

The accompanying notes are an integral part of these financial statements.

RICK HANSEN INSTITUTE

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for year 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses for the year	$ 257,063	$ 51,711
Items not involving cash:		
Depreciation of capital assets	42,681	50,709
Amortization of deferred capital contributions	(37,457)	(50,709)
	262,287	51,711
Changes in non-cash working capital:		
Accounts receivable	10,100,066	(10,115,401)
Prepaid expenses	(23,401)	23,957
Accounts payable and accrued liabilities	204,808	885,238
Deferred contributions	(2,531,059)	7,975,032
	8,012,701	(1,179,463)
Investing activities:		
Purchase of capital assets	(107,077)	(7,271)
Distribution to investment funds	(200,000)	-
Purchase of investments	(7,076,032)	-
Proceeds from investments	1,914,349	1,784,406
	(5,468,760)	1,777,135
Increase in cash and cash equivalents	2,543,941	597,672
Cash and cash equivalents, beginning of year	1,303,493	705,821
Cash and cash equivalents, end of year	$ 3,847,434	$ 1,303,493
Supplemental information:		
Non-cash operating activities:		
Transfer of deferred contributions to deferred capital contributions	$ -	$ 7,272
Transfer of deferred contributions to unrestricted contributions	262,131	-

The accompanying notes are an integral part of these financial statements.

1. Nature of operations:

Rick Hansen Institute (the Institute) was incorporated on January 15, 2009 under the Canada Corporations Act. On October 26, 2009, the Institute was registered as a charity under the Income Tax Act and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

The Institute commenced operations on January 1, 2010. A number of programs and the related assets were transferred from Rick Hansen Foundation at that time.

The Institute's mission is to lead collaboration across the global spinal cord injury (SCI) community by providing resources, infrastructure, and knowledge and to identify, develop, validate, and accelerate the translation of evidence and best practices to reduce the incidence and severity of paralysis after SCI, improve health care outcomes, reduce long-term costs, and improve quality of life for those living with SCI.

2. Basis of preparation and significant accounting policies:

Effective April 1, 2012, the Institute adopted Canadian accounting standards for not-for-profit organizations (ASNPO) as issued by the Canadian Accounting Standards Board.

The significant accounting policies are summarized below:

(a) Cash and cash equivalents:

Cash and cash equivalents consist of cash on deposit with banks and short-term deposits with a maturity of less than 90 days.

(b) Investments:

Short-term investments include short-term deposits with maturities of one year or less and greater than 90 days. Long-term investments include guaranteed investment certificates with maturities of greater than one year from year-end. Investments are recorded at fair value with gains and losses recorded in the statement of operations.

(c) Capital assets:

Capital assets are recorded at cost and depreciated on a straight-line basis over their estimated useful lives at the following annual rates:

Asset	Rate
Office equipment	5 years
Computers - hardware	3 years
Computers - software	3 years
Leasehold improvements	10 years

2. Basis of preparation and significant accounting policies (continued):

(d) Revenue recognition:

The Institute follows the deferral method of accounting for restricted contributions. When receivable, the restricted contribution is deferred and recognized as revenue in the period in which the related expenses are incurred by the Institute. Restricted contributions specifically for the purchase of capital assets are deferred and amortized to revenue on a straight-line basis at a rate corresponding with the depreciation rate for the related capital assets. Unrestricted contributions are recognized as revenue in the current period if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income comprises interest earned on investments and on cash and cash equivalents, and fair value changes in investments.

(e) Grant expenditures:

The Institute recognizes a grant expense when the grant recipient has complied with the conditions to meet the terms of the grant agreement and the Institute has approved payment of the grant.

(f) Allocation of expenses:

The Institute engages in translational research, best practice implementation, commercialization, informatics, network development, best and brightest awards and consumer engagement. The Institute incurs a number of management and administration support costs and allocates these expenses to the programs proportionately based on the total full-time equivalents of the program. Management and administration support costs include accounting, human resources, information technology, purchasing, marketing and occupancy costs.

(g) Financial instruments:

The Institute's financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, and accounts payable and accrued liabilities.

Cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities are initially measured at fair value and subsequently carried at amortized cost. Short-term investments are initially measured, and subsequently carried, at fair value with gains and losses recognized in fair value change in investments.

Financial assets are assessed for impairment on an annual basis at year-end if there is an indicator of impairment. If there is an indicator of impairment, the Institute determines if there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset. If there has been a significant adverse change, the carrying value of the financial asset is reduced to the greater of the present value of expected cash flows, the amount that could be realized by selling the asset, and the amount that could be realized 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 impairment, not exceeding the initial carrying value.

2. Basis of preparation and significant accounting policies (continued):

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those reported. Items requiring the use of management estimates include useful lives of capital assets.

(i) 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.

(j) Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

3. Short term investments:

	2019	2018
Guaranteed investment certificates	$ 7,097,194	$ 1,935,512

4. Capital assets:

			2019	2018
	Cost	Accumulated depreciation	Net book value	Net book value
Computers - hardware	$ 501,410	$ 435,127	$ 66,283	$ 11,654
Computers - software	382,143	357,528	24,615	23,901
Office equipment	179,255	168,300	10,955	1,901
Leasehold improvements	47,901	47,901	-	-
	$ 1,110,709	$ 1,008,856	$ 101,853	$ 37,456

5. Government remittances:

Government remittances consist of amounts (such as sales taxes, payroll withholdings, employee benefit costs, worker's compensation premiums) required to be paid to government authorities and are recognized when the amounts become due. At March 31, 2019, $1,620 (2018 - $2,063) is included within accounts payable and accrued liabilities.

6. Deferred contributions:

Deferred contributions represent the unspent portion of grants, contributions and donations that are externally restricted for specific purposes, such as research and community expenses. Recognition of deferred contributions is recorded as revenue in the statement of operations.

(a) Deferred contributions:

	Balance beginning of year	Contributions	Amounts recognized as revenue	Amounts Transferred to fund balances	Balance end of year
WED Federal government	$ -	$ 5,900,000	$ (5,400,000)	$ -	$ 500,000
BC government	11,368,645	-	(2,827,415)	(284,800)	8,256,430
Ontario government	-	2,000,000	(1,950,056)	-	49,944
Rick Hansen Foundation	383,915	491,956	(709,949)	-	165,921
Other	68,687	19,549	(55,144)	22,669	55,761
	$ 11,821,247	$ 8,411,505	$ (10,942,564)	$ (262,131)	$ 9,028,057

(b) Deferred capital contributions:

	2019	2018
Balance, beginning of year	$ 37,457	$ 80,894
Allocation of deferred contributions	-	7,272
Amounts amortized to revenue	(37,457)	(50,709)
Balance, end of year	$ -	$ 37,457

7. Commitments and contingencies:

(a) Operating leases:

The aggregate minimum future annual payments under operating leases are as follows:

2020	$ 204,092
2021	5,692
	$ 209,784

7. Commitments and contingencies (continued):

(b) Commitments under grant agreements are as follows:

2020	$ 3,005,335
2021	884,500
2022	144,000
	$ 4,033,835

The Institute has committed funds to other organizations to undertake research in future periods. The actual grant payments are conditional on the organization meeting performance and reporting requirements.

8. Risk management:

(a) Currency risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Institute is not exposed to significant currency risk.

(b) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Institute is exposed to interest rate risk on its fixed income securities as disclosed in note 3. Management believes this risk to be immaterial; however, it still frequently reviews the interest rates to mitigate risk to the Institute.

(c) Market risk and other price risk:

Market risk and other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Institute's investment portfolio is exposed to market risk and other price risk due to changing market conditions. This risk is managed by holding low-risk investments in accordance with the institute’s policies.

(d) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss. The Institute is not significantly exposed to credit risk.

(e) Liquidity risk:

Liquidity risk is the risk that the Institute will not be able to meet its financial obligations as they fall due. The institute’s approach to managing liquidity risk is to ensure that it will have sufficient working capital and cash flow to fund operations and settle liabilities when due. The Institute is economically dependent on the federal and provincial governments as disclosed in note 11.

There were no significant changes in risk exposure from prior years.

9. Allocation of expenses:

Management and administration support costs are allocated to the programs as follows:

	2019	2018
Translational research	$ 754,096	$ 868,064
Best practice implementation	332,013	137,226
Commercialization	47,910	-
Informatics	311,412	314,105
Network development	47,910	52,869
Consumer engagement	47,910	38,874
Fundraising	47,910	-
	$ 1,589,161	$ 1,411,138

10. Investment funds:

During the 2019 fiscal year, the Institute established the Spinal Cord Injury Fund (“the Fund”) with the Vancouver Foundation with an initial capital contribution of $100,000. The Vancouver Foundation will hold, invest and administer the fund in accordance with the provisions of the Vancouver Foundation Act. Income of the Fund shall be disbursed from time to time to the Institute and the Institute may encroach upon the capital of the Fund subject to restrictions established by the Vancouver Foundation limiting the amount that can be encroached upon to 10% of the principal balance annually following the first twelve months after the establishment of the fund. After five years following the establishment of the Fund, the full balance may be withdrawn or transferred. Requests to encroach upon the capital must be made in writing.

During the 2019 fiscal year, the Institute also established the Spinal Cord Injury Fund (“the SCI Fund”) with the Jewish Foundation of Greater Toronto (“JFGT”) with an initial capital contribution of $100,000. JFGT will hold, invest and administer the SCI Fund in accordance with the JFGT’s policies and procedures. Income and capital of the Fund may be disbursed, from time to time to the Institute. All requests to disburse the interest and principal must be made in writing.

11. Economic dependence:

The Institute receives almost all of its funding from the federal and provincial governments.