

Financial Statements of

PRAXIS SPINAL CORD INSTITUTE

And Independent Auditors' Report thereon

Year ended March 31, 2021



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INDEPENDENT AUDITORS' REPORT

To the Directors of Praxis Spinal Cord Institute

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Praxis Spinal Cord (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2021
- 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, 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.



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.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

Vancouver, Canada
June 22, 2021

PRAXIS SPINAL CORD INSTITUTE

Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ -	\$ 1,696,974
Short-term investments (note 3)	2,151,277	5,644,330
Accounts receivable	88,217	706,401
Prepaid expenses	111,096	63,365
	<u>2,350,590</u>	<u>8,111,070</u>
Capital assets (note 5)	207,804	116,372
Investment funds (note 4)	247,093	208,939
	<u>\$ 2,805,487</u>	<u>\$ 8,436,381</u>

Liabilities and Net Assets

Current liabilities:		
Bank indebtedness	\$ 14,851	\$ -
Accounts payable and accrued liabilities (note 6)	663,709	1,737,867
Deferred contributions (note 7)	1,378,119	5,987,504
	<u>2,056,679</u>	<u>7,725,371</u>
Net assets:		
Unrestricted funds	748,808	711,010
Commitments and contingencies (note 8)		
	<u>\$ 2,805,487</u>	<u>\$ 8,436,381</u>

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

Approved on behalf of the Board:



Ian Rigby Director



Jeff Chapentier Director

PRAXIS SPINAL CORD INSTITUTE

Statement of Operations and Fund Balances

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

	2021	2020
Revenue:		
Grants and contributions (note 7)	\$ 10,455,680	\$ 11,893,350
Donations and sponsorships	4,779	11,884
Investment income	98,486	176,105
Other income	208,835	162,510
	<u>10,767,780</u>	<u>12,243,849</u>
Expenses (note 10):		
Translational research	3,747,964	3,105,107
Best practice implementation	2,613,109	4,739,437
Commercialization	1,588,824	1,230,599
Informatics	1,145,274	929,291
Network development	305,395	434,606
Best and brightest awards	-	110,000
Consumer engagement	485,215	841,236
Fundraising	28,215	265,247
Management and administration (notes 6 and 10)	815,986	823,794
	<u>10,729,982</u>	<u>12,479,317</u>
Excess (deficiency) of revenue over expenses	37,798	(235,468)
Unrestricted fund balance, beginning of year	711,010	946,478
Unrestricted fund balance, end of year	<u>\$ 748,808</u>	<u>\$ 711,010</u>

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

PRAXIS SPINAL CORD INSTITUTE

Statement of Cash Flows

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

	2021	2020
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 37,798	\$ (235,468)
Items not involving cash:		
Depreciation of capital assets	89,393	56,492
Unrealized gains on investment funds	(28,235)	(8,939)
	98,956	(187,915)
Changes in non-cash working capital:		
Accounts receivable	618,184	(679,471)
Prepaid expenses	(47,731)	34,755
Accounts payable and accrued liabilities	(1,074,158)	340,871
Deferred contributions	(4,609,385)	(3,040,553)
	(5,014,134)	(3,532,313)
Investing:		
Purchase of capital assets	(180,825)	(71,011)
Purchase of short-term investments and investment funds	(2,120,173)	(7,211,264)
Proceeds from short-term investments	5,603,307	8,664,128
	3,302,309	1,381,853
Decrease in cash and cash equivalents	(1,711,825)	(2,150,460)
Cash and cash equivalents, beginning of year	1,696,974	3,847,434
Cash and cash equivalents (bank indebtedness), end of year	\$ (14,851)	\$ 1,696,974

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

PRAXIS SPINAL CORD INSTITUTE

(formerly Rick Hansen Institute)

Notes to Financial Statements

Year ended March 31, 2021

1. Nature of operations:

Praxis Spinal Cord Institute (the "Institute") formerly known as Rick Hansen Institute was incorporated on January 15, 2009 under the Canada Corporations Act. On July 24, 2019, the Institute officially changed its name from the Rick Hansen Institute. 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'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, help promote SCI commercialization, and improve quality of life for those living with SCI.

The declaration of the COVID-19 virus as a pandemic by the World Health Organization on March 11, 2020, and the subsequent shut-downs globally, domestically, and locally have had a significant impact on the jurisdictions and market sectors in which the Institute operates. The impact has been minimal disruptions to the Institute's operations. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Institute's operations cannot be estimated reliably at this time. These impacts could include impairment in our investments or other long-lived assets or potential future decreases in revenue.

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 purchase. Investments are recorded at fair value with gains and losses recorded in the statement of operations.

Investment funds are invested in market related blue chip stocks and are recorded at fair value with realized and unrealized gains and losses recorded in the statement of operations.

PRAXIS SPINAL CORD INSTITUTE

(formerly Rick Hansen Institute)

Notes to Financial Statements

Year ended March 31, 2021

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

(c) Subsidiaries:

During the 2020 fiscal year, the Institute incorporated a for-profit subsidiary, Praxis Neuro Ventures Inc. ("Neuro Ventures"), which is 100% owned by the Institute. Neuro Ventures was incorporated for a nominal value and is currently inactive.

(d) 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	Lease term

(e) 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.

(f) 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.

(g) Allocation of expenses:

The Institute engages in and strengthens translational research, best practice implementation, commercialization, fundraising, 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 equivalent employees of the program. Management and administration support costs include accounting, human resources, information technology, purchasing, marketing and occupancy costs (note 10).

PRAXIS SPINAL CORD INSTITUTE

(formerly Rick Hansen Institute)

Notes to Financial Statements

Year ended March 31, 2021

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

(h) Financial instruments:

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

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

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.

(i) 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.

(j) 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.

3. Short-term investments:

	2021	2020
Guaranteed investment certificates	\$ 2,151,277	\$ 5,644,330

PRAXIS SPINAL CORD INSTITUTE

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Notes to Financial Statements

Year ended March 31, 2021

4. Investment funds:

	2021	2020
Vancouver Foundation	\$ 131,768	\$ 114,999
Jewish Foundation of Greater Toronto	115,325	93,940
	<u>\$ 247,093</u>	<u>\$ 208,939</u>

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 12-months after the establishment of the fund. After 5-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. Funds are recorded at fair value, with unrealized gains and losses recognized in investment income.

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. Funds are recorded at fair value, with unrealized gains and losses recognized in investment income.

5. Capital assets:

	2021		2020	
	Cost	Accumulated depreciation	Net book value	Net book value
Computers - hardware	\$ 714,983	\$ 535,548	\$ 179,435	\$ 65,270
Computers - software	418,567	396,753	21,814	41,619
Office equipment	181,093	174,538	6,555	9,483
Leasehold improvements	47,901	47,901	-	-
	<u>\$ 1,362,544</u>	<u>\$ 1,154,740</u>	<u>\$ 207,804</u>	<u>\$ 116,372</u>

Depreciation expense for the year is \$89,393 (2020 - \$56,492).

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Notes to Financial Statements

Year ended March 31, 2021

6. Government remittances and subsidies:

Government remittances consist of amounts (such as sales taxes, payroll withholdings, employee benefit costs, Worksafe BC) required to be paid to government authorities and are recognized when the amounts become due. At March 31, 2021, \$1,883 (2020 - \$1,587) is included within accounts payable and accrued liabilities.

Due to the COVID-19 pandemic, the Canadian government introduced the 10% Temporary Wage Subsidy for Employers ("TWS"). This was a three-month measure that allowed eligible employers to reduce the amount of payroll deductions they needed to remit to the Canadian Revenue Agency. The Institute claimed TWS totaling \$57,060 for the year ending March 31, 2021 which is offset against management and administration support costs.

7. 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.

	Balance March 31, 2020	Contributions	Amounts recognized as revenue	Amounts returned to funder	Balance March 31, 2021
WED Federal government	\$ 500,000	\$ 5,900,000	\$ (6,400,000)	\$ -	\$ -
BC government	5,172,371	-	(3,980,680)	-	1,191,691
Ontario government	109,749	-	-	(109,749)	-
Rick Hansen Foundation	44,078	-	-	(44,078)	-
Genome BC	-	75,000	(75,000)	-	-
Donations	161,306	25,122	-	-	186,428
	<u>\$ 5,987,504</u>	<u>\$ 6,000,122</u>	<u>\$ (10,455,680)</u>	<u>\$ (153,827)</u>	<u>\$ 1,378,119</u>

	Balance March 31, 2019	Contributions	Amounts recognized as revenue	Amounts returned to funder	Balance March 31, 2020
WED Federal government	\$ 500,000	\$ 6,500,000	\$ (6,500,000)	\$ -	\$ 500,000
BC government	8,256,430	-	(3,084,059)	-	5,172,371
Ontario government	49,944	2,000,000	(1,940,195)	-	109,749
Rick Hansen Foundation	59,678	353,772	(364,372)	(5,000)	44,078
Donations	162,005	13,969	(14,668)	-	161,306
	<u>\$ 9,028,057</u>	<u>\$ 8,867,741</u>	<u>\$ (11,903,294)</u>	<u>\$ (5,000)</u>	<u>\$ 5,987,504</u>

PRAXIS SPINAL CORD INSTITUTE

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Notes to Financial Statements

Year ended March 31, 2021

8. Commitments and contingencies:

(a) Operating leases:

There are no minimum future annual payments under operating leases.

(b) Commitments under grant agreements are as follows:

2022	\$ 606,268
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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.

9. 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 the value of its fixed income securities as disclosed in note 3. The Institute is not exposed to interest rate fluctuations as the Guaranteed Investments have locked in interest rates.

(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 is only exposed to market risk for its investment funds (note 4). This risk is managed by holding low-to medium risk investments in accordance with the Institute's investment 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 exposed to significant credit 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.

PRAXIS SPINAL CORD INSTITUTE

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Notes to Financial Statements

Year ended March 31, 2021

10. Allocation of expenses:

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

	2021	2020
Translational research	\$ 531,691	\$ 123,879
Best practice implementation	562,074	1,183,042
Commercialization	54,254	12,388
Informatics	434,034	309,697
Network development	10,851	123,879
Consumer engagement	227,868	284,921
Fundraising	-	61,939
	<hr/>	<hr/>
	\$ 1,820,772	\$ 2,099,745

11. Economic dependence:

The Institute receives the majority of its funding from the Canadian federal and BC provincial governments.

12. Comparative amounts:

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