Financial Statements of

PRAXIS SPINAL CORD INSTITUTE

And Independent Auditors' Report thereon

Year ended March 31, 2022

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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 Institute (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2022
- 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, 2022 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements which indicates that funding from the Canadian Federal government has not yet been approved for the coming year.

As stated in Note 1 in the financial statements, these events or conditions, along with other matters as set forth in Note 1 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt about the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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 21, 2022

PRAXIS SPINAL CORD INSTITUTE

Statement of Financial Position

March 31, 2022, with comparative information for 2021

		2022		2021
Assets				
Current assets				
Cash and cash equivalents	$	538,556	$	-
Short-term investments (note 3)		851,545		2,151,277
Accounts receivable		3,535,266		88,217
Prepaid expenses		63,004		111,096
		4,988,371		2,350,590
Capital assets (note 5)		105,143		207,804
Investment funds (note 4)		320,188		247,093
	$	5,413,702	$	2,805,487
Liabilities and Net Assets				
Current liabilities:				
Bank indebtedness	$	-	$	14,851
Accounts payable and accrued liabilities (note 6)		319,966		663,709
Deferred contributions (note 7)		3,895,908		1,378,119
		4,215,874		2,056,679
Net assets:				
Unrestricted funds		1,197,828		748,808
	$	5,413,702	$	2,805,487

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

Approved on behalf of the Board:

DocuSigned by: Ian Rigby
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Ian Rigby, Director

DocuSigned by: Jeff Charpentier
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Jeff Charpentier, Director

PRAXIS SPINAL CORD INSTITUTE

Statement of Operations and Fund Balances

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Grants and contributions (note 7)	$ 7,272,200	$ 10,455,680
Donations and sponsorships	559,388	4,779
Investment income	28,367	98,486
Other income	258,494	208,835
	8,118,449	10,767,780
Expenses (note 9):		
Translational research	2,016,330	3,747,964
Best practice implementation	2,575,889	2,613,109
Commercialization	852,641	1,588,824
Informatics	1,193,906	1,145,274
Network development	-	305,395
Consumer engagement	439,011	485,215
Fundraising	104,409	28,215
Management and administration (notes 6 and 9)	487,243	815,986
	7,669,429	10,729,982
Excess of revenue over expenses	449,020	37,798
Unrestricted fund balance, beginning of year	748,808	711,010
Unrestricted fund balance, end of year	$ 1,197,828	$ 748,808

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

PRAXIS SPINAL CORD INSTITUTE

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	$ 449,020	$ 37,798
Items not involving cash:		
Depreciation of capital assets	102,661	89,393
Unrealized gains on investment funds	(25,154)	(28,235)
	526,527	98,956
Changes in non-cash working capital:		
Accounts receivable	(3,447,049)	618,184
Prepaid expenses	48,092	(47,731)
Accounts payable and accrued liabilities	(343,743)	(1,074,158)
Deferred contributions	2,517,789	(4,609,385)
	(698,384)	(5,014,134)
Investing:		
Purchase of capital assets	-	(180,825)
Purchase of short-term investments and investment funds	(750,000)	(2,120,173)
Purchase of long-term investments	(51,040)	-
Proceeds from short-term investments	2,052,791	5,603,307
	1,251,791	3,302,309
Increase (decrease) in cash and cash equivalents	553,407	(1,711,825)
Cash and cash equivalents (bank indebtedness), beginning of year	(14,851)	1,696,974
Cash and cash equivalents (bank indebtedness), end of year	$ 538,556	$ (14,851)

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

1. Nature of operations and going concern:

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 Institute receives the majority of its funding from the Canadian Federal and BC Provincial governments. The Institute has not received Federal funding for fiscal 2023 and as a result may not be able to sustain normal course operations for the foreseeable future.

The Institute has historically relied upon funding from the Canadian Federal government to fund a significant portion of its operations. At the time of these financial statements, the Institute has not received approval for funding for the coming year from the Federal government. The Institute has made and is making application to multiple funding agencies for a significant amount of future funding. If this funding is not realized, operations will be decreased to allow the Institute to reach sustainability in the future. At this time, it is projected that current approved funding will be sufficient to sustain operations to March 31, 2023.

The Institute is dependent on its ability to find additional external sources of funding to continue operations. As a result of these conditions described above, there is significant doubt about the Institute's ability to continue as a going concern if significant additional funding is not obtained.

These financial statements do not reflect adjustments to the carrying values of assets, liabilities or reported results should the Institute be unable to continue as a going concern.

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.

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

(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.

(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.

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

(g) Allocation of expenses:

The Institute engages in and strengthens translational research, best practice implementation, commercialization, fundraising, informatics, network development, 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 9).

(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. Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

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.

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

(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:

	2022	2021
Guaranteed investment certificates	$ 851,545	$ 2,151,277

4. Investment funds:

	2022	2021
Vancouver Foundation	$ 146,701	$ 131,768
Jewish Foundation of Greater Toronto	122,347	115,325
Starling Medical Inc.	51,140	-
	$ 320,188	$ 247,093

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. After 5-years following the establishment of the Fund, the full balance may be withdrawn or transferred. 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. Funds are recorded at fair value, with unrealized gains and losses recognized in investment income.

During the 2022 fiscal year, the Institute purchased a Simple Agreement for Future Equity (SAFE) valued at $40,000 USD ($51,140) in Starling Medical, Inc. (“SM”). The SAFE gives the Institute the right to certain shares of SM capital stock dependent on four future milestone events initiated by SM as outlined in SAFE.

5. Capital assets:

			2022	2021
	Cost	Accumulated depreciation	Net book value	Net book value
Computers - hardware	$ 714,983	$ 619,918	$ 95,065	$ 179,435
Computers - software	418,567	412,496	6,071	21,814
Office equipment	181,093	177,086	4,007	6,555
Leasehold improvements	47,901	47,901	-	-
	$1,362,544	$1,257,401	$ 105,143	$ 207,804

Depreciation expense for the year is $102,661 (2021 - $89,393).

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, 2022, $2,142 (2021 - $1,883) 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, 2021	Contributions	Amounts recognized as revenue	Amounts returned to funder	Balance March 31, 2022
WED Federal government	$ -	$ 5,300,000	$ (5,300,000)	$ -	$ -
BC government	1,191,691	4,400,000	(1,882,200)	(11)	3,709,480
Genome BC	-	90,000	(90,000)	-	-
Donations	186,428	-	-	-	186,428
	$ 1,378,119	$ 9,790,000	$ (7,272,200)	$ (11)	$ 3,895,908

7. Deferred contributions (continued):

	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
	$ 5,987,504	$ 6,000,122	$ (10,455,680)	$ (153,827)	$ 1,378,119

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 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 largely 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 1.

9. Allocation of expenses:

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

	2022	2021
Translational research	$ 328,143	$ 531,691
Best practice implementation	636,399	562,074
Commercialization	64,634	54,254
Informatics	348,031	434,034
Network development	-	10,851
Consumer engagement	178,987	227,868
Fundraising	104,409	-
	$ 1,660,603	$ 1,820,772