

Consolidated Financial Statements of

ONTARIO GENOMICS INSTITUTE

Year ended March 31, 2018

ONTARIO GENOMICS INSTITUTE

Consolidated Financial Statements

Year ended March 31, 2018

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Ontario Genomics Institute

We have audited the accompanying consolidated financial statements of Ontario Genomics Institute, which comprise the consolidated statement of financial position as at March 31, 2018, the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of Ontario Genomics Institute as at March 31, 2018, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

August 22, 2018
Vaughan, Canada

ONTARIO GENOMICS INSTITUTE

Consolidated Statement of Financial Position

March 31, 2018, with comparative information for 2017


	2018	2017
Assets		
Current assets:		
Cash	\$ 1,258,871	\$ 986,341
Current portion of investments and advances (note 3)	20,000	20,000
Accounts receivable (note 2)	77,675	121,006
Advances to research projects	2,348,582	1,238,574
Deposits and prepaid expenses	112,423	112,085
	<u>3,817,551</u>	<u>2,478,006</u>
Investments and advances (note 3)	60,000	80,000
Capital assets (note 4)	32,256	37,497
	<u>\$ 3,909,807</u>	<u>\$ 2,595,503</u>

Liabilities and Net Assets


Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 439,040	\$ 202,231
Amounts due to research projects	58,500	15,501
	<u>497,540</u>	<u>217,732</u>
Deferred contributions (note 6)	2,348,582	1,238,574
Net assets:		
Internally restricted (note 7)	32,256	37,497
Unrestricted	1,031,429	1,101,700
	<u>1,063,685</u>	<u>1,139,197</u>
Commitments (note 9)		
	<u>\$ 3,909,807</u>	<u>\$ 2,595,503</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Director



Director

ONTARIO GENOMICS INSTITUTE

Consolidated Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Amortization of deferred contributions (note 6)	\$ 23,821,808	\$ 19,468,584
Interest and other	88,340	39,522
	<u>23,910,148</u>	<u>19,508,106</u>
Expenses:		
Research projects	19,720,343	15,511,858
Business development	1,478,578	1,399,033
General and administrative	1,456,877	1,328,494
Research programs management	993,882	806,409
Outreach and communications	309,552	519,460
Amortization of capital assets	26,428	21,364
	<u>23,985,660</u>	<u>19,586,618</u>
Deficiency of revenue over expenses	<u>\$ (75,512)</u>	<u>\$ (78,512)</u>

See accompanying notes to consolidated financial statements.

ONTARIO GENOMICS INSTITUTE

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2018, with comparative information for 2017

			2018	2017
	Internally restricted (note 7)	Unrestricted	Total	Total
Net assets, beginning of year	\$ 37,497	\$ 1,101,700	\$ 1,139,197	\$ 1,217,709
Deficiency of revenue over expenses	(26,428)	(49,084)	(75,512)	(78,512)
Invested in capital assets	21,187	(21,187)	-	-
Net assets, end of year	\$ 32,256	\$ 1,031,429	\$ 1,063,685	\$ 1,139,197

See accompanying notes to consolidated financial statements.

ONTARIO GENOMICS INSTITUTE

Consolidated Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	\$ (75,512)	\$ (78,512)
Items not involving cash:		
Amortization of deferred contributions	(23,821,808)	(19,468,584)
Amortization of capital assets	26,428	21,364
	(23,870,892)	(19,525,732)
Change in non-cash assets and liabilities:		
Accounts receivable	43,331	186,165
Advances to research projects	(1,110,008)	(781,479)
Amounts due to research projects	42,999	(370,398)
Deposits and prepaid expenses	(338)	(9,683)
Accounts payable and accrued liabilities	236,809	(90,253)
Deferred contributions	24,931,816	20,250,063
	273,717	(341,317)
Investments:		
Purchase of capital assets	(21,187)	(14,433)
Investments and advances	20,000	(100,000)
	(1,187)	(114,433)
Increase (decrease) in cash	272,530	(455,750)
Cash, beginning of year	986,341	1,442,091
Cash, end of year	\$ 1,258,871	\$ 986,341

See accompanying notes to consolidated financial statements.

ONTARIO GENOMICS INSTITUTE

Notes to Consolidated Financial Statements

Year ended March 31, 2018

The Ontario Genomics Institute (the "Corporation" or "OGI") was incorporated without share capital on October 18, 2000 under the Canada Corporations Act as a not-for-profit organization and was continued during 2014 under the Canada Not-for-profit Corporations Act. OGI's role is to drive the life sciences industry in Ontario through the use of genomics to increase the quality of life for all Ontarians through better health outcomes, a healthier environment and sustainable agriculture. This is accomplished by concentrating on three strategic areas:

- (a) through Business Development, to catalyze access to and the impact of research outcomes, helping scientists market their discoveries and the resulting products, and also work to ensure that access to leading-edge technologies makes genomics research in Ontario more competitive;
- (b) through Research Programs Management, to identify and cultivate emerging Ontario-led, pioneering research projects in genomics and related fields, and work with them to identify, attract and support funding; and
- (c) through Outreach and Communications, to establish initiatives that increase awareness of genomics research and facilitate informed public dialogue about genomics and its impact on society.

1. Significant accounting policies:

These consolidated financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. Significant accounting policies are as follows:

(a) Subsidiaries:

These consolidated financial statements include the results of OGI with those of the Corporation's wholly owned subsidiary, Genomics Ontario Inc. All significant intercompany accounts and transactions have been eliminated upon consolidation.

(b) Revenue recognition:

The Corporation follows the deferral method of accounting for contributions, which include funds from Genome Canada and the Government of Ontario through the Ministry of Research and Innovation/Ministry of Economic Development, Trade and Employment. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

ONTARIO GENOMICS INSTITUTE

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Investment income earned on unspent externally restricted contributions is recognized in the year in which it is earned.

(c) Advances to/amounts due to research projects:

Advances to research projects comprise amounts provided by the Corporation to approved research projects which have not been expensed. Amounts due to research projects comprise amounts payable by the Corporation to projects for expenses already approved and incurred.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and 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. The Corporation has not elected to carry any such financial instruments at fair value.

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 the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Corporation 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 the Corporation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(e) Investments and advances:

The Corporation receives shares of non-affiliated companies, representing either a recovery of its cost associated with a research project or compensation for the work it provides to bring the opportunity to an investment ready state and as part of the consideration for providing loans and debentures or other investment instruments. The investments are in companies in which it has neither control nor the ability to exercise significant influence. Investments are initially recorded at cost and an impairment provision is made due to initial uncertainty in the future performance and viability of the underlying companies. The impairment provision is reversed when the investee company becomes quoted in an active market. Proceeds from the sale of the investments are recognized as revenue at the time the investments are sold.

(f) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Furniture and fixtures are amortized on a straight-line basis over five years. Computer equipment is amortized on a straight-line basis over three years.

(g) Use of estimates:

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the year. Amounts subject to significant estimates and assumptions include the carrying value of capital assets and investments, and fair value of accrued liabilities. Actual results could differ from those estimates.

(h) Foreign exchange:

The Corporation's assets and liabilities denominated in foreign currencies are translated into Canadian dollars using exchange rates in effect at the consolidated statement of financial position date. Revenue and expense items are translated at the rate of exchange prevailing on the date of the transaction.

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

2. Accounts receivable:

	2018	2017
Harmonized sales tax	\$ 51,413	\$ 100,973
Interest and other	26,262	20,033
	\$ 77,675	\$ 121,006

3. Investments and advances:

	2018	2017
Debentures	\$ 450,000	\$ 200,000
Equity instruments	200,000	200,000
Provision for impairment	(650,000)	(400,000)
Advances	80,000	100,000
Current portion of advances	(20,000)	(20,000)
Long term advances and investments	\$ 60,000	\$ 80,000

The Pre-commercial Business Development Fund program makes investment in loans, equity shares and advances of non-affiliated, early stage companies for which the future performance and viability of the underlying companies is uncertain. An impairment provision is made on these investments. In 2017, the Corporation signed a loan agreement to fund \$100,000 to Nicoya Lifesciences for the project "Development of OneChannel SPR Sensor Technology for Next Generation Biosensors". The loan is to be repaid monthly, over five years at \$20,000 per year, bearing interest at 10% compounded annually, commencing April 30, 2017. In 2018, \$20,000 was paid by Nicoya Lifesciences.

4. Capital assets:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$ 54,634	\$ 38,581	\$ 16,053	\$ 19,082
Computer equipment	109,042	92,839	16,203	18,415
	\$ 163,676	\$ 131,420	\$ 32,256	\$ 37,497

ONTARIO GENOMICS INSTITUTE

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

5. Accounts payable and accrued liabilities:

	2018	2017
Accrued liabilities	\$ 218,139	\$ 125,202
Accounts payable	140,510	18,076
Lease inducement	80,391	58,953
	<u>\$ 439,040</u>	<u>\$ 202,231</u>

No government remittances were payable in 2018 (2017 - nil).

6. Amortization of deferred contributions:

The Corporation receives funding from Genome Canada and the Government of Ontario through the Ministry of Research, Innovation and Science.

Deferred contributions related to expenses of future years represent unspent externally restricted funding to be used for the purposes of providing funds to eligible recipients and the payment of operating and capital expenditures in future years.

The changes in the deferred contributions balances are as follows:

	2018	2017
Opening balance	\$ 1,238,574	\$ 457,095
Deferred contributions received	24,931,816	20,250,063
Amortization of deferred contributions:		
Genome Canada - Research	20,441,808	16,088,584
Genome Canada - Operations	880,000	880,000
Government of Ontario - Operations	2,500,000	2,500,000
	<u>23,821,808</u>	<u>19,468,584</u>
Ending balance	<u>\$ 2,348,582</u>	<u>\$ 1,238,574</u>

7. Internally restricted net assets:

Internally restricted net assets represent net assets invested in capital assets.

ONTARIO GENOMICS INSTITUTE

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

8. Financial risks and risk management:

The Corporation considers its total assets to be its capital. The Corporation's objectives in managing capital are to safeguard the assets and maintain liquidity.

(a) Liquidity risk:

Liquidity risk is the risk that the Corporation will be unable to fulfill its obligations in a timely basis or at a reasonable cost.

The Corporation manages its liquidity risk by monitoring actual and projected cash disbursements against funding received or to be received from operations. The Corporation prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations, resulting in a financial loss. The Corporation is exposed to credit risk with respect to the accounts receivable.

The Corporation manages its credit risk by assessing accounts receivable on a continuous basis. The Corporation deals with creditworthy counterparties and seldom has doubtful accounts.

(c) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Corporation is exposed to interest rate risk through the interest income it derives from cash balances.

The effect of the excess/deficiency of revenue over expenses of an increase or decrease in interest rates is not significant.

The Corporation believes that it is not exposed to significant liquidity risk, credit risk or interest rate risk arising from its financial instruments. There has been no significant change in exposures from 2017.

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

9. Commitments:

(a) Funding:

The Corporation has committed to the following:

	Commitments	Less amount paid for Expenses incurred	Advances (due to)	Residual commitments
		(000's)		
2012 Large-Scale Applied Research Project Competition	\$ 6,530	\$ 6,412	\$ (256)	\$ 374
2012 Bioinformatics and Computational Biology Competition	1,499	1,499	(150)	150
2014 Large-Scale Applied Research Project Competition	4,222	1,934	(269)	2,557
2015 Large-Scale Applied Research Project Competition	6,721	1,100	510	5,111
International Consortium Initiatives ("ICI") SGC	11,000	5,384	–	5,616
Genomic Applications Partnership Program Round 1	406	366	–	40
Genomic Applications Partnership Program Round 2	3,935	2,819	670	446
NSERC Discovery Frontiers Program	2,000	1,900	–	100
Genome Applications Partnership Program Round 3	5,106	4,664	(774)	1,216
Genomics Innovation Network ("GIN") Core & Technology Development	3,895	3,877	(335)	353
Stand Up to Cancer ("SU2C") CSC	8,500	4,498	712	3,290
Genome Applications Partnership Program Round 5	919	495	131	293
Genome Applications Partnership Program Round 6	3,178	1,408	(265)	2,035
Genome Applications Partnership Program Round 7	3,593	447	604	2,542
Genome Applications Partnership Program Round 8	4,127	210	753	3,164
2015 Bioinformatics and Computational Biology Competition	809	610	118	81
Disruptive Innovation in Genomics Phase 1	2,976	2,609	68	299
Disruptive Innovation in Genomics Phase 2	2,000	969	166	865
2015 E Rare Diseases	666	444	–	222
Genomics Technology Platforms	26,632	3,711	614	22,307
SSHRC -Social Sciences and Humanities Research Council	98	37	51	10
	\$ 98,812	\$ 45,393	\$ 2,348	\$ 51,071

ONTARIO GENOMICS INSTITUTE

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

9. Commitments (continued):

Genome Canada has entered into an agreement with the Corporation regarding financial commitments totalling \$6,416,631 for the 2012 Large-Scale Applied Research Project Competition with an addition of \$113,734 in 2018 bringing the total to \$6,530,365, \$1,499,273 for the 2012 Bioinformatics and Computational Biology Competition, \$406,352 for the Genomic Applications Partnership Program Round 1, \$3,934,847 for the Genomic Applications Program Round 2, and \$2,000,000 for the NSERC Discovery Frontiers Program.

Genome Canada has entered into an agreement with the Corporation under which Genome Canada agreed to provide the Corporation with financial contributions up to \$5,106,078 for Genome Applications Partnership Program Round 3, \$2,197,922 for the GIN Core program and \$1,697,489 for the GIN Technology Development program, resulting in a total of \$3,895,411 funding for the GIN programs.

In fiscal 2015, Genome Canada entered into an agreement to provide the Corporation with financial contributions up to \$4,221,771 for the 2014 Large-Scale Applied Research project and \$8,500,000 for the Stand Up to Cancer (SU2C) research project.

Genome Canada has entered into an agreement with the Corporation, under which Genome Canada agreed to provide the Corporation with financial contributions up to \$10,999,998 for disbursement to the Structural Genomics Consortium also referred to as the ICI. Under the agreement, the Corporation disburses funds to the projects, but expenditures are reported directly to Genome Canada; therefore, the Corporation treats these funds as unrestricted and expensed when they are disbursed.

In fiscal 2016, Genome Canada entered agreements to provide the Corporation with financial contributions up to \$918,955 for the Genomic Applications Partnership Program Round 5, \$3,177,864 for the Genomic Applications Partnership Program Round 6, \$808,614 for 2015 Bioinformatics and Computational Biology Competition, \$2,975,500 for the Disruptive Innovation in Genomics Phase 1, \$2,000,000 for the Disruptive Innovation in Genomics Phase 2, \$666,000 for 2015 E Rare Diseases and \$6,720,802 for the 2015 Large-Scale Applied Research Project Competition.

ONTARIO GENOMICS INSTITUTE

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

9. Commitments (continued):

In fiscal 2017, Genome Canada entered agreements to provide the Corporation with financial contributions up to \$3,592,873 for the Genomics Applications Program Round 7, \$4,127,190 for Round 8, \$26,631,954 for the Genomic Technology Platforms and \$97,583 for the project "Strengthening Canada's Ability to Manage Risk" led by Dr. Monica M Gattinger, in collaboration with SSHRC - Social Sciences and Humanities Research Council.

On July 15, 2016, the Corporation signed a new agreement with the Government of Ontario for additional funding of \$12,500,000 from the Ministry of Research, Innovation and Science for the period from April 1, 2016 to March 31, 2021.

(b) Operating lease:

The Corporation has entered into an operating lease agreement for premises. The anticipated annual payments in each of the next five years and thereafter are as follows:

2019	\$	117,504
2020		145,701
2021		155,100
2022		155,100
2023		155,100
Thereafter		336,055
		<hr/>
	\$	1,064,560
