

RESEARCH MANITOBA

Financial Statements

For the year ended March 31, 2020

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For the year ended March 31, 2020

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Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of the management of **Research Manitoba** and have been prepared in accordance with Canadian public sector accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available to the audit report date.

Management maintains internal controls to properly safeguard the assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The responsibility of the external audit is to express an independent opinion on whether the financial statements of **Research Manitoba** are fairly represented in accordance with Canadian public sector accounting standards. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management of **Research Manitoba**:

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Christina Weise, Executive Director

Original Document Signed

Nicole Barry, Director of Finance and Administration

June 22, 2020



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Independent Auditor's Report

To the Board of Directors of **Research Manitoba**

Opinion

We have audited the financial statements of Research Manitoba (the "Organization") which comprise the statement of financial position as at March 31, 2020, and the statement of operations and accumulated surplus, changes in net financial assets, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2020 and the results of its operations, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization 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

We draw attention to Note 3 of the financial statements, which describes the change in the accounting policy. 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 these financial statements in accordance with Canadian public sector accounting standards, 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's 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 auditor's 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 these 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 Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Organization 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.

We 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.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
June 22, 2020

RESEARCH MANITOBA Statement of Financial Position

| March 31 | 2020 | 2019 |
|--|---------------------|---------------------|
| Financial Assets | | |
| Cash and bank | \$ 216,828 | \$ 364,987 |
| Portfolio investment (Note 4) | 1,420,198 | 1,376,346 |
| Accounts receivable (Note 5) | 104,582 | 33,295 |
| Accrued interest receivable | 8,105 | 14,038 |
| | 1,749,713 | 1,788,666 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 142,160 | 117,700 |
| Research grants payable | - | 61,684 |
| | 142,160 | 179,384 |
| Net financial assets | 1,607,553 | 1,609,282 |
| Non-financial Assets | | |
| Tangible capital assets (Note 6) | 13,865 | 18,011 |
| Prepaid expenses | 17,650 | 3,069 |
| | 31,515 | 21,080 |
| Accumulated surplus | \$ 1,639,069 | \$ 1,630,362 |

Approved on behalf of the Board:

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Director

RESEARCH MANITOBA Statement of Operations and Accumulated Surplus

| For the year ended March 31 | 2020 | 2020 | 2019 |
|---|---------------------|---------------------|---------------------|
| | Budget | Total | Total |
| Revenue | | | |
| Province of Manitoba | | | |
| Growth, Enterprise and Trade | \$ 12,113,000 | \$ 12,113,000 | \$ 12,113,000 |
| Agriculture | - | - | 14,300 |
| Other funding | - | - | 1,038 |
| Grants returned/rescinded | - | 456,106 | 78,872 |
| Investment income | 25,000 | 38,584 | 55,164 |
| | 12,138,000 | 12,607,690 | 12,262,374 |
| Expenditures | | | |
| Administration (Page 16) | 943,942 | 942,904 | 946,731 |
| Infrastructure grants - matching | 1,850,000 | 2,421,960 | 5,323,908 |
| Infrastructure grants | 625,440 | 411,141 | 163,557 |
| MS grants & awards | 85,094 | 85,094 | 234,537 |
| Operating grants - matching | 5,772,165 | 5,954,322 | 2,078,456 |
| Operating grants | 2,377,186 | 2,382,386 | 2,835,530 |
| Personnel awards | 494,000 | 325,326 | 1,414,434 |
| Personnel awards - matching | 360,000 | 75,850 | 50,000 |
| | 12,507,827 | 12,598,983 | 13,047,153 |
| Annual surplus (deficit) | \$ (369,827) | 8,707 | (784,779) |
| Accumulated surplus, beginning of year | | 1,630,362 | 2,415,141 |
| Accumulated surplus, end of year | | \$ 1,639,069 | \$ 1,630,362 |

RESEARCH MANITOBA
Statement of Changes in Net Financial Assets

| For the year ended March 31 | 2020 | | 2020 | 2019 |
|--|----------------------------|-------------------------|---------------------|------------------|
| | Budget | Total | | Total |
| Annual surplus (deficit) | \$ (369,827) | \$ 8,707 | \$ (784,779) | |
| Amortization of tangible capital assets | - | 4,146 | | 5,517 |
| Decrease (increase) in prepaid expense | - | (14,582) | | 976 |
| Changes in net financial assets | <u>\$ (369,827)</u> | (1,729) | | (778,286) |
| Net financial assets, beginning of year | | <u>1,609,282</u> | | 2,387,568 |
| Net financial assets, end of year | | \$ 1,607,553 | \$ 1,609,282 | |

RESEARCH MANITOBA Statement of Cash Flows

| For the year ended March 31 | 2020 | 2019 |
|--|--------------|--------------|
| Cash Flows from Operating Activities | | |
| Annual surplus (deficit) for the year | \$ 8,707 | \$ (784,779) |
| Adjustments for | | |
| Amortization of capital assets | 4,146 | 5,517 |
| | 12,853 | (779,262) |
| Changes in non-cash working capital balances | | |
| Accounts receivable | (71,287) | 79,678 |
| Accrued interest receivable | 5,933 | 995 |
| Prepaid expenses | (14,584) | 976 |
| Accounts payable and accrued liabilities | 24,460 | (117,313) |
| Research grants payable | (61,684) | (919,998) |
| | (104,309) | (1,734,924) |
| Cash flows from capital transactions | - | - |
| Cash flows from investing activities | - | - |
| Cash flows from financing activities | - | - |
| Decrease in cash and cash equivalents during the year | (104,309) | (1,734,924) |
| Cash and cash equivalents, beginning of year | 1,741,335 | 3,476,259 |
| Cash and cash equivalents, end of year | \$ 1,637,026 | \$ 1,741,335 |
| Represented by | | |
| Cash and bank | \$ 216,828 | \$ 364,989 |
| Portfolio investment | 1,420,198 | 1,376,346 |
| | \$ 1,637,026 | \$ 1,741,335 |

RESEARCH MANITOBA

Notes to Financial Statements

For the year ended March 31, 2020

1. Nature of the Organization

Research Manitoba (the "Organization") was originally established by The Manitoba Health Research Council Act to promote and assist basic, clinical and applied research in the health sciences in Manitoba. It was continued under The Research Manitoba Act in 2014 to promote, support and coordinate funding of, research in the health, natural and social sciences, engineering and the humanities in Manitoba. Research Manitoba is a registered charity and is exempt from tax under the Income Tax Act.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared using the Canadian public sector accounting standards as established by the Public Sector Accounting Board.

Revenue Recognition

The Organization is primarily funded by the Province of Manitoba and operates per the mandates set out in the Research Manitoba Act. These financial statements reflect agreed funding arrangements with respect to the year ended March 31, 2020.

Provincial government transfers for operating purposes are recognized as revenue in the period in which all eligibility criteria and/or stipulations have been met and the amounts are authorized. Any funding received prior to satisfying these conditions are considered unearned until conditions have been met. When revenue is received without eligibility criteria or stipulations, it is recognized when the transfer from the Province of Manitoba is authorized, except when and to the extent the transfer gives rise to an obligation that meets the definition of a liability for the Organization.

The General Research Funds - General research grants are charged to expenditures in the year the funding is committed for, by the Board. Research grants returned to or rescinded by the organization is recorded as revenue when received or rescinded.

Investment income is recognized as revenue in the year in which it is earned.

Financial Assets

Portfolio investments are investments that are capable of reasonably prompt liquidation and are recognized at cost.

RESEARCH MANITOBA

Notes to Financial Statements

For the year ended March 31, 2020

2. Summary of Significant Accounting Policies (continued)

Liabilities

Liabilities are present obligations as a result of transactions and events occurring prior to the end of the fiscal year. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded at the estimated amount ultimately payable.

Non-financial Assets

(a) Prepaid expenses are payments for goods or services that will provide economic benefit in future periods. The prepaid amount is recognized as an expense in the year the goods or services are consumed.

(b) Tangible capital assets

Capital assets are stated at cost less accumulated amortization. Amortization, based on the estimated useful life of the asset, is calculated as 20% per year for 5 years. Any changes to this policy will be Board approved. The amortization for purchases prior to this fiscal year will continue to be calculated as follows:

| | |
|--|---------------------------------|
| Office and computer equipment | 20% diminishing balance basis |
| Computer equipment for review committees | 33.3% diminishing balance basis |

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. Cash has been designated to be in the fair value category. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost. Due to the nature of the financial instruments held by the Organization, there are no unrealized gains or losses, and therefore a statement of remeasurement gains and losses is not required for these financial statements.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash includes cash and bank, a short-term investment in a cash savings account that can be redeemed at the organization's request.

RESEARCH MANITOBA

Notes to Financial Statements

For the year ended March 31, 2020

2. Summary of Significant Accounting Policies (continued)

Grants and Awards

All grants and awards and their renewals are recorded as an expenditure in the year they are committed for.

Measurement Uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards 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 revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. Change in Accounting Policy

Effective April 1, 2019, the Province of Manitoba has directed the Organization to change its basis of accounting from Canadian Government Not-for-Profit Organization standards, which includes sections PSAS 4200 to PSAS 4270, to PSAS without sections PSAS 4200 to PSA 4270. As a result of the adoption, the presentation of the financial statements changed from the prior year. This change in accounting policy has been applied retroactively with restatement of prior periods. The most significant changes as a result of adopting this basis of accounting include:

- The Organization's budget is presented in the Statement of Operations.
- The Statement of Financial Position presents financial assets and liabilities to determine a net financial assets position; non-financial assets are shown separately and the accumulated surplus or deficit is the sum of the above-noted amounts.
- Presentation of the Statement of Changes in Net Financial Assets which presents the activities that contributed to the change in net financial assets in the Statement of Financial Position.

For the year ended, March 31, 2019, this change in accounting policy had the following effect on the financial statements from amounts previously presented in the prior year's financial statements:

| | |
|---|--------------|
| Decrease in deferred revenue | \$ 1,367,969 |
| Decrease in revenue for deferred revenue recognized in 2019 | 604,687 |
| Increase in opening accumulated surplus | 1,969,654 |
| Increase in ending accumulated surplus | 1,367,969 |

RESEARCH MANITOBA Notes to Financial Statements

For the year ended March 31, 2020

4. Portfolio Investment

| | 2020 | 2019 |
|---|---------------------|---------------------|
| Steinbach Credit Union, charity regular savings account, 1.55% (2.90% in 2019), no maturity date and is reduced by the deficit in the chequing account. | \$ 1,420,198 | \$ 1,376,346 |

5. Accounts Receivable

| | 2020 | 2019 |
|-----------------------------------|-------------------|------------------|
| University of Manitoba | \$ 59,129 | \$ 988 |
| Goods and Services Tax receivable | 28,616 | 17,157 |
| MITACS Inc. | 15,600 | - |
| Province of Manitoba | 1,000 | - |
| Institute of Health | 237 | - |
| McGill University | - | 850 |
| CAP - Ag Action Manitoba | - | 14,300 |
| | \$ 104,582 | \$ 33,295 |

6. Tangible Capital Assets

| | 2020 | | | |
|--------------------------|--------------------|-------------------|-------------|--------------------|
| | Opening Balance | Additions | Disposals | Closing Balance |
| Cost | | | | |
| Office equipment | \$ 34,151 | \$ - | \$ - | \$ 34,151 |
| Computer equipment | 62,913 | - | - | 62,913 |
| | 97,064 | - | - | 97,064 |
| Accumulated Amortization | | | | |
| Office equipment | 24,451 | 1,552 | - | 26,003 |
| Computer equipment | 54,602 | 2,594 | - | 57,196 |
| | 79,053 | 4,146 | - | 83,199 |
| Net book value | \$ 18,011 | \$ (4,146) | \$ - | \$ 13,865 |

RESEARCH MANITOBA Notes to Financial Statements

For the year ended March 31, 2020

6. Tangible Capital Assets (continued)

| | | | | 2019 |
|--------------------------|--------------------|------------|-----------|--------------------|
| | Opening Balance | Additions | Disposals | Closing Balance |
| Cost | | | | |
| Office equipment | \$ 34,151 | \$ - | \$ - | \$ 34,151 |
| Computer equipment | 62,913 | - | - | 62,913 |
| | 97,064 | - | - | 97,064 |
| Accumulated Amortization | | | | |
| Office equipment | 24,451 | - | - | 24,451 |
| Computer equipment | 49,085 | 5,517 | - | 54,602 |
| | 73,536 | 5,517 | - | 79,053 |
| Net book value | \$ 23,528 | \$ (5,517) | \$ - | 18,011 |

7. Pension Benefits

Employees of Research Manitoba are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including Research Manitoba, through the Civil Service Superannuation Fund (CSSF). Effective April 1, 2012, pursuant to an agreement with the Province of Manitoba, Research Manitoba transferred to the Province the pension liability for its employees.

Commencing April 1, 2012, Research Manitoba was required to pay to the Province the employees' current pension contributions. The plan is funded by the Organization's employees at rates of 8.0% to 9.0% of the employees' salary. The Organization is required to match at rates of 7.1% to 9.0% of the employees' salary. The amount contributed by Research Manitoba for 2020 was \$50,590 (\$53,280 in 2019) and the employees' share was \$55,010 (\$57,629 in 2019). Under this agreement, the Organization has no further pension liability.

RESEARCH MANITOBA Notes to Financial Statements

For the year ended March 31, 2020

8. Commitments

Grants

Research Manitoba has committed grants and awards under the General Research Fund, the Regional Partnership Fund, MS Fund and Strategy for Patient Oriented Research (SPOR) Fund as follows:

| Year | General Research Fund | MS Fund | SPOR Fund | Matching Grants | Total |
|--------------|-----------------------------|------------------|-------------------|---------------------|----------------------|
| 2021 | \$ 1,811,700 | \$ 45,000 | \$ 240,094 | \$ | \$ 2,096,794 |
| 2022 | 1,211,700 | | 485,641 | 1,428,571 | 3,125,912 |
| 2023 | 1,211,700 | - | - | 1,428,571 | 2,640,271 |
| 2024 | 111,700 | - | - | 1,428,571 | 1,540,271 |
| 2025 | 85,850 | - | - | 1,428,571 | 1,514,421 |
| Total | \$ 4,432,650 | \$ 45,000 | \$ 725,735 | \$ 5,714,284 | \$ 10,917,669 |

Premises

The Organization has entered into an agreement to lease its premises for \$76,920 annually until the agreement expires in August 2030.

9. Related Party Transactions

Research Manitoba is related to all Province of Manitoba departments and agencies. During the year, Research Manitoba had the following transactions with related organizations:

| | <u>2020</u> | 2019 |
|---------------|----------------------|---------------|
| Grant revenue | \$ 12,113,000 | \$ 12,127,300 |

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

RESEARCH MANITOBA

Notes to Financial Statements

For the year ended March 31, 2020

10. Financial Instrument Risks

General Objectives, Policies, and Processes

The Board of Directors has overall responsibility for the determination of the Organization's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Organization's Chief Executive Officer (CEO). The Board of Directors receives quarterly reports from the Organization's CEO through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Organization's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk and liquidity risk.

There have been no significant changes from the previous year in the exposure to risk, policies or procedures used to manage financial instrument risks.

Interest Rate Risk

The Organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the cash flows related to its investments. The Organization's objective is to minimize interest rate risk by locking in fixed rates on its investments when possible.

At March 31, 2020, a 1% move in interest rates, with all other variables held constant, could impact the interest revenue of the investments by \$14,202 (\$13,763 in 2019). These changes would be recognized in the statement of operations.

Credit Risk

The Organization is exposed to credit risk through the possibility of non-collection of its accounts receivable. The majority of the Organization's receivables are from government entities which minimizes the risk of non-collection. The Organization also makes sure it meets all the eligibility criteria for the amounts to ensure they will collect the amounts outstanding.

Liquidity Risk

Liquidity risk is the risk that the Organization will not be able to meet its financial obligations as they fall due. The Organization has a planning and budgeting process in place to help determine the funds required to support the Organization's normal operating requirements on an ongoing basis. The Organization ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

RESEARCH MANITOBA **Notes to Financial Statements**

For the year ended March 31, 2020

11. Uncertainty due to COVID-19

The impact of COVID-19 in Canada and on the global economy increased significantly. Prior to year end, the Organization reallocated some of their existing funds to COVID-19 research. The Organization has also received approval to reallocate up to \$5,000,000 of their 2020 to 2021 budget to create a COVID-19 Research Fund that will support clinical and applied research, and provide funds for industry to develop products and devices in response to the COVID-19 pandemic.

As the impacts of COVID-19 continue, there could be further impact on the Organization. Management is actively monitoring the affect on its financial condition, liquidity, operations, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time.

12. Administration Agreement

The Organization holds an amount of \$67,371 in their bank account on behalf of NAPHRO in a fiduciary capacity which is not included in these financial statements.

RESEARCH MANITOBA
Schedule of Administrative Expenses By Object

| For the year ended March 31 | Budget | 2020 | 2019 |
|--|-------------------|-------------------|-------------------|
| Amortization of tangible capital assets | \$ - | \$ 4,146 | \$ 5,517 |
| Bank fees | 400 | 384 | 151 |
| Board and committee | 6,500 | 2,831 | 1,405 |
| Communications | 41,950 | 57,398 | 55,616 |
| Conference and transportation | 19,812 | 18,417 | 20,809 |
| Courier and postage | 1,500 | 1,809 | 1,202 |
| Insurance | 4,900 | 4,971 | 4,571 |
| IT/Telecommunications | 66,961 | 66,910 | 57,198 |
| Office space | 77,423 | 76,982 | 76,991 |
| Office supplies | 16,250 | 17,746 | 20,429 |
| Professional development and memberships | 2,000 | 2,057 | 1,854 |
| Professional fees | 24,500 | 23,616 | 31,295 |
| Reviewers | 7,500 | 3,725 | 5,638 |
| Salaries and benefits | 674,246 | 661,912 | 664,055 |
| | \$ 943,942 | \$ 942,904 | \$ 946,731 |
