



Financial Statements

Genome Atlantic

March 31, 2020

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Independent Auditor's Report

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To the Directors of
Genome Atlantic

Opinion

We have audited the financial statements of Genome Atlantic (the "Organization"), which comprise the statement of financial position as at March 31, 2020 and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying 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 and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

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.

Emphasis of matter

Our audit was conducted for the purposes of forming an opinion on the financial statements taken as a whole. The schedule on page 12 is presented for purposes of additional information and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied to the period ended March 31, 2020, only to the extent necessary to express an opinion, on the audit of the financial statements taken as a whole.

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 ASNPO, 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 a 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 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Halifax, Canada
June 26, 2020

Chartered professional accountants

Genome Atlantic

Statement of financial position

March 31

2020

2019

Assets

Current

Cash and cash equivalents	\$ 19,500	\$ 33,769
Short term investments (note 3)	1,498,358	818,757
Receivables (note 4)	128,718	227,859
Receivable from Genomics Research Projects	136,732	400,558
Prepaid expenses	<u>47,633</u>	<u>75,327</u>
	1,830,941	1,556,270

Capital assets (note 5)

13,312 15,254

\$ 1,844,253 **\$ 1,571,524**

Liabilities

Current

Payables and accruals	\$ 45,274	\$ 51,248
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Deferred contributions (note 6) 844,134 657,864

Deferred contributions - capital assets (note 6) 13,312 15,254

902,720 **724,366**

Net assets

Internally restricted (note 7) 375,000 375,000

Unrestricted 566,533 472,158

941,533 **847,158**

\$ 1,844,253 **\$ 1,571,524**

Commitment (note 8)

Research commitments (Schedule 1)

On behalf of the Board

_____ Director

_____ Director

Genome Atlantic**Statement of operations and changes in net assets**

Year ended March 31

2020

2019

Revenues

Amortized contributions (note 6)	\$ 3,042,763	\$ 2,254,982
Amortization of deferred contributions related to capital assets (note 6)	4,951	5,494
Investment income	<u>29,665</u>	<u>18,220</u>
	<u>3,077,379</u>	<u>2,278,696</u>

Expenses

Depreciation	4,951	5,494
General and administrative	1,215,222	1,237,978
Genomics Research Projects	<u>1,762,831</u>	<u>1,032,183</u>
	<u>2,983,004</u>	<u>2,275,655</u>

Excess of revenues over expenses	\$ <u>94,375</u>	\$ <u>3,041</u>
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Unrestricted net asset, beginning of year	\$ 472,158	\$ 469,117
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Excess of revenues over expenses	<u>94,375</u>	<u>3,041</u>
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Unrestricted net assets, end of year	\$ <u>566,533</u>	\$ <u>472,158</u>
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Genome Atlantic

Statement of cash flows

Year ended March 31

2020

2019

Increase (decrease) in cash and cash equivalents

Operating

Excess of revenues over expenses	\$	94,375	\$	3,041
Items not involving cash:				
Amortized contributions		(3,042,763)		(2,254,982)
Amortization of deferred contributions related to capital assets		(4,951)		(5,494)
Depreciation		4,951		5,494
		<u>(2,948,388)</u>		<u>(2,251,941)</u>

Change in non-cash operating working capital

Receivables		99,141		(89,725)
Prepaid expenses		27,694		(29,754)
Payables and accruals		(5,974)		(48,740)
Receivable from Genomics Research Projects		263,826		(308,420)
		<u>(2,563,701)</u>		<u>(2,728,580)</u>

Financing

Deferred funding contributions received		<u>3,232,042</u>		<u>2,644,661</u>
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Investing

Change in short term investments, net		(679,601)		71,821
Additions to capital assets		<u>(3,009)</u>		<u>(5,737)</u>
		<u>(682,610)</u>		<u>66,084</u>

Decrease in cash and cash equivalents (14,269) (17,835)

Cash and cash equivalents,

 Beginning of year 33,769 51,604

 End of year \$ 19,500 \$ 33,769

Genome Atlantic

Notes to the financial statements

March 31, 2020

1. Nature of business

Genome Atlantic (the “Organization”) is a not-for-profit organization established in 2000 with a mission to lead a program of genomics research and development that delivers economic, social and environmental benefits to Atlantic Canada.

Genome Atlantic is part of the Genome Canada Enterprise which includes a network of independent Genome Centres operating in various parts of the country all funded (at least in part) by the Government of Canada via Genome Canada. Under its funding agreement with Genome Canada, Genome Atlantic received approximately 60% of its funding for Centre operations for the year ending March 31, 2020 (2019 – 59%), and funding from Genome Canada has been committed to March 31, 2022.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”). The significant policies are detailed as followed:

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks.

Revenue recognition

The Organization follows the deferral method of accounting for contributions from Genome Canada, ACOA and other funding agencies. 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.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. All funds received with a restricted purpose are expended for the purpose for which they are provided. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a declining balance basis at a rate corresponding with the depreciation rate for the related capital assets.

Investment income is recognized in revenue when earned.

Use of estimates

The preparation of the financial statements in conformity with ASNPO requires the Organization’s management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. These estimates are reviewed periodically and adjustments are made to net income as appropriate in the year they become known. Certain of these estimates require subjective judgments by management that may be uncertain, such as the allowance for doubtful accounts and useful lives of capital assets. Actual results could differ from those reported.

Genome Atlantic

Notes to the financial statements

March 31, 2020

2. Summary of significant accounting policies (continued)

Short term investments

Short term investments represent cash and investments which are valued at amortized cost, being cost plus accrued interest. The funds consist of an investment savings account and various redeemable term investments.

Capital assets

Purchased capital assets are recorded at cost and subsequently at cost less accumulated depreciation. Contributed capital assets are not recorded in the accounts of the Organization. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying value is written down to its residual value. Depreciation is provided for using the declining balance method using the following annual rates:

Computer hardware, software and furniture	30%
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Impairment of long-lived assets

A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. Any impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Defined contribution plan

The Organization maintains a defined contribution plan in which the Organization contributes a percentage of gross wages to employee RRSP plans.

Income taxes

Genome Atlantic was incorporated under the Canada Corporations Act. Genome Atlantic is a not-for-profit organization and therefore is not subject to either federal or provincial income taxes under subsection 149(1)(l) of the Income Tax Act.

Financial instruments

Measurement of financial instruments

The Organization initially measures its financial assets and liabilities at fair value and subsequently at amortized cost. Financial assets measured at amortized cost include cash and cash equivalents, short term investments, receivables and amounts receivable from Genomics Research Projects. Financial liabilities measured at amortized cost include payables and accruals and deferred contributions.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of write-down, if any, is recognized in the statement of operations. Previously recognized impairment loss, if any, may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of any reversal is recognized in the statement of operations.

Genome Atlantic

Notes to the financial statements

March 31, 2020

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

Transaction costs

The Organization recognizes its transaction costs, if any, in the statement of operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Risks and concentrations

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure and concentrations at year end.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization's main credit risk relates to its cash and short term investments and accounts receivable. The Organization limits the amount of credit exposure with its cash and short term investment balances by only maintaining cash and short term investments with major Canadian financial institutions. Credit exposure is minimized by dealing only with credit worthy counterparties. The Organization does not have a significant exposure to any individual counterpart. There has been no significant change in this risk from the prior year.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Organization is mainly exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk on its short term investments. There has been no significant change in this risk from the prior year.

3. Short term investments

2020

2019

Short term investments consist of the following:

Royal Bank investment savings – mutual funds	\$ 569,934	\$ 5,036
Various redeemable guaranteed investment certificates bearing interest at 2.22% to 3.03%, maturing in 2020 and 2021	900,000	800,000
Accrued interest	<u>28,424</u>	<u>13,721</u>
	<u>\$ 1,498,358</u>	<u>\$ 818,757</u>

Genome Atlantic

Notes to the financial statements

March 31, 2020

4. Receivables	<u>2020</u>	<u>2019</u>
Accruals	\$ 108,960	\$ 204,636
HST receivable	<u>19,758</u>	<u>23,223</u>
	<u>\$ 128,718</u>	<u>\$ 227,859</u>

5. Capital assets			<u>2020</u>	<u>2019</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer hardware, software and furniture	\$ 92,951	\$ 79,639	\$ 13,312	\$ 15,254

6. Deferred contributions

Deferred contributions related to expenses of future periods

The Organization received contributions from Genome Canada and other parties to be held, invested, administered and disbursed in accordance with the terms and conditions of the related funding agreements between Genome Atlantic and other parties.

Deferred contributions related to expenses of future periods represent the unspent externally restricted funding for the purposes of providing project funding to eligible recipients and to pay project and Centre operating and capital expenditures in future periods. In the event that deferred contributions are not required to fund specific expenses of future periods, the amounts will be refunded to the funding parties or recognized as unrestricted revenue. Investment income is unrestricted and may be used to pay a portion of the Centre operating costs.

The changes in balances of the deferred contributions related to expenses of future periods are as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 657,864	\$ 273,922
Contributions received in the year	<u>3,232,042</u>	<u>2,644,661</u>
	<u>3,889,906</u>	2,918,583
Amortized contributions	<u>(3,042,763)</u>	(2,254,982)
Amount transferred to deferred contributions, capital assets	<u>(3,009)</u>	<u>(5,737)</u>
	<u>\$ 844,134</u>	<u>\$ 657,864</u>

Genome Atlantic

Notes to the financial statements

March 31, 2020

6. Deferred contributions (continued)

Deferred contributions related to capital assets

Deferred contributions related to capital assets represent the unamortized amount of contributions received for the purchase of capital assets. The amortization of such contributions is recorded as revenue in the statement of operations.

The changes in the balances of the deferred contributions related to capital assets are as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 15,254	\$ 15,011
Allocation of funding for capital asset purchases	3,009	5,737
Amount amortized to revenues	<u>(4,951)</u>	<u>(5,494)</u>
	<u>\$ 13,312</u>	<u>\$ 15,254</u>

7. Internally restricted net assets

In 2009, the Organization's Board of Directors internally restricted an amount of \$375,000 from the unrestricted net assets, to provide a reserve for Centre operations.

8. Commitments

The Organization is renting its office premises under a lease which expires in February 2021. The minimum lease payments required on the lease are as follows:

2021	\$32,818
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9. Impact of COVID-19

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

Genome Atlantic

Notes to the financial statements

March 31, 2020

9. Impact of COVID-19 (continued)

Genome Atlantic has responded to the pandemic by encouraging its administrative employees to work from home, with all staff able to access company files remotely, and with bi-weekly staff calls to stay connected. Genome Atlantic staff have been monitoring its portfolio of managed research projects and is continuing to work with project leaders and funders to analyse the impacts of the pandemic on the projects, and to explore mitigating measures, where necessary, to ensure projects have sufficient resources to complete their milestones. Management does not expect Genome Atlantic to be negatively impacted in a financially material way as a result of the COVID-19 pandemic.

Genome Atlantic

Schedule 1 to the financial statements – Research commitments

March 31, 2020

The Organization has committed to the following Genomics Research Projects:

	Developing Camelina as the next Canadian oilseed	Hubert & MacDonald GAPP Project	IPMC (EWOS 2) GAPP Project	Corrosion Project (LSARP)	Schnurr GMO 2.0 Project	ARETE (Beiko 2)	TRICHUM (RP3-NB)	Early detection of bipolar disorder (RP3-NS)	Lyme Disease (Emerging Opportunities)	Cleanerfish (NL RP3)	Mussel Project (PEI RP3)	Hubert & MacDonald Ventura GAPP	Mallet Oysters/ Bernatchez GAPP	2020 Total	2019 Total
Funding commitment:															
Genome Canada	\$ -	\$ 1,597,843	\$ 1,509,113	\$ 650,315	\$ 99,983	\$ 499,051	\$ 200,000	\$ 199,994	\$ 242,800	\$ 200,000	\$ 200,000	\$ 1,999,864	\$ 1,249,924	\$ 8,648,887	\$ 4,872,959
ACOA (AIF)	2,813,185	-	-	-	-	-	-	-	-	-	-	-	-	2,813,185	2,813,185
Nova Scotia	50,000	-	-	-	-	-	-	-	-	-	-	-	-	50,000	50,000
New Brunswick	147,502	-	-	-	-	-	-	-	-	-	-	-	-	147,502	147,502
Other	111,383	-	-	-	-	-	-	-	-	-	-	-	-	111,383	111,383
	3,122,070	1,597,843	1,509,113	650,315	99,983	499,051	200,000	199,994	242,800	200,000	200,000	1,999,864	1,249,924	11,770,957	7,995,029
Amounts paid:															
Expenditures incurred	3,089,224	1,597,843	1,266,341	486,928	67,805	163,959	28,667	86,229	19,541	72,155	12,075	363,538	166,382	7,420,687	5,774,516
Advances (net payable)	-	(100,862)	108,201	(21,203)	22,180	24,259	49,833	(7,939)	71,379	(6,753)	17,925	(65,330)	45,042	136,732	400,558
	3,089,224	1,496,981	1,374,542	465,725	89,985	188,218	78,500	78,290	90,920	65,402	30,000	298,208	211,424	7,557,419	6,175,074
Residual commitment	\$ 35,064	\$ 100,862	\$ 134,571	\$ 184,590	\$ 9,998	\$ 310,833	\$ 121,500	\$ 121,704	\$ 151,880	\$ 134,598	\$ 170,000	\$ 1,701,656	\$ 1,038,500	\$ 4,213,538	\$ 1,819,955

In addition to the residual commitments noted above, there is an additional \$9,428,276 (2019 – 3,526,539) of funding committed for the above noted projects that flows directly to the research partners from third party funders.