

Financial statements

# **The Banting Research Foundation**

June 30, 2017



Building a better  
working world

# Independent auditors' report

To the Members of  
**The Banting Research Foundation**

## Report on the financial statements

We have audited the accompanying financial statements of **The Banting Research Foundation**, which comprise the statement of financial position as at June 30, 2017, and the statements of revenue and expenses and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

## Auditors' responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **The Banting Research Foundation** as at June 30, 2017, 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.



**Report on other legal and regulatory requirements**

As required by the *Corporations Act* (Ontario), we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Toronto, Canada  
November 9, 2017

*Ernst + Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants

**The Banting Research Foundation**

**Statement of financial position**

As at June 30

	2017	2016
	\$	\$
<b>Assets</b>		
Cash and cash equivalents	28,788	27,012
HST recoverable	6,292	5,922
Investments, at fair value <i>[note 3]</i>	4,402,920	4,184,741
	<b>4,438,000</b>	<b>4,217,675</b>
<b>Liabilities and fund balances</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	17,327	14,776
Commitment <i>[note 7]</i>		
<b>Fund balances</b>		
General Fund	664,555	577,825
Endowment Fund <i>[note 5]</i>	3,756,118	3,625,074
<b>Total fund balances</b>	<b>4,420,673</b>	<b>4,202,899</b>
	<b>4,438,000</b>	<b>4,217,675</b>

*See accompanying notes*

On behalf of the Board:

Trustee

Trustee

**The Banting Research Foundation**

**Statement of revenue and expenses and changes in fund balances**

Year ended June 30

	General Fund		Endowment Fund		Total	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
<b>Revenue</b>						
Investment income, net <i>[note 6]</i>	299,876	97,648	131,044	9,569	430,920	107,217
Donations	38,964	19,670	—	—	38,964	19,670
	<b>338,840</b>	117,318	<b>131,044</b>	9,569	<b>469,884</b>	126,887
<b>Expenses</b>						
Grants awarded to new investigators	146,000	175,000	—	—	146,000	175,000
Other grants	14,500	14,500	—	—	14,500	14,500
Professional fees	70,493	55,013	—	—	70,493	55,013
Accounting and audit fees <i>[note 4]</i>	10,964	10,964	—	—	10,964	10,964
Office, general and administrative	10,153	9,305	—	—	10,153	9,305
	<b>252,110</b>	264,782	—	—	<b>252,110</b>	264,782
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>86,730</b>	(147,464)	<b>131,044</b>	9,569	<b>217,774</b>	(137,895)
Fund balances, beginning of year	577,825	725,289	3,625,074	3,615,505	4,202,899	4,340,794
<b>Fund balances, end of year</b>	<b>664,555</b>	577,825	<b>3,756,118</b>	3,625,074	<b>4,420,673</b>	4,202,899

See accompanying notes

## The Banting Research Foundation

### Statement of cash flows

Year ended June 30

	2017	2016
	\$	\$
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses for the year	217,774	(137,895)
Add (deduct) non-cash items		
Realized loss (gain) on sale of investments	(6,496)	35,519
Decrease (increase) in unrealized gain	(301,576)	31,631
Changes in non-cash working capital balances related to operations		
Increase in HST recoverable	(370)	(2,418)
Increase (decrease) in accounts payable and accrued liabilities	2,551	(2,621)
<b>Cash used in operating activities</b>	<b>(88,117)</b>	<b>(75,784)</b>
<b>Investing activities</b>		
Proceeds on sale of investments, net	89,893	13,307
<b>Cash provided by investing activities</b>	<b>89,893</b>	<b>13,307</b>
<b>Net increase (decrease) in cash during the year</b>	<b>1,776</b>	<b>(62,477)</b>
Cash and cash equivalents, beginning of year	27,012	89,489
<b>Cash and cash equivalents, end of year</b>	<b>28,788</b>	<b>27,012</b>

*See accompanying notes*

# The Banting Research Foundation

## Notes to financial statements

June 30, 2017

### 1. Description of organization

The Banting Research Foundation [the "Foundation"] was incorporated under the *Corporations Act* (Ontario) by Letters Patent in 1925. The Foundation supports talented young medical researchers in Canada conducting a broad range of medical research. As its principal focus, the Foundation will help initiate the careers of new investigators who are within the first three years of their first university or research institute appointment.

The Foundation is a registered charity [charitable number 108072927RR0001] and, as such, is exempt from income taxes under the *Income Tax Act* (Canada).

### 2. Summary of significant accounting policies

The financial statements of the Foundation have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

#### Fund accounting

The Foundation follows the restricted fund method of accounting for contributions. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they are provided.

For financial reporting purposes, the accounts have been classified into the following funds:

#### [a] Endowment Fund

The Endowment Fund accounts for the resources that are required by the donor to be maintained by the Foundation on a permanent basis and resources transferred by the Board of Trustees [the "Board"].

#### [b] Restricted Fund

Restricted Funds account for resources with restrictions imposed by the donor or the Board with respect to the purpose of the funds or when the funds can be spent. Restricted Funds report, as revenue and expenses, the receipt and the use of funds restricted by donors.

#### [c] General Fund

The General Fund accounts for the other revenue and expenses of the Foundation. The General Fund reports unrestricted resources available for immediate purposes.

#### Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term investments with a short term to maturity of approximately three months or less from the date of purchase unless they are held for investment rather than liquidity purposes, in which case they are classified as investments.

# The Banting Research Foundation

## Notes to financial statements

June 30, 2017

### Financial instruments

Investments reported at fair value consist of equity instruments that are quoted in an active market as well as investments in pooled funds and any investments in fixed income securities that the Foundation designates upon purchase to be measured at fair value. Transaction costs are recognized in the statement of revenue and expenses and changes in fund balances in the period during which they are incurred.

Investments in fixed income securities not designated to be measured at fair value are initially recorded at fair value plus transaction costs and are subsequently measured at amortized cost using the straight-line method, less any provision for impairment.

All investment transactions are recorded on the trade date.

Other financial instruments, including receivables and payables, are initially recorded at their fair value and are subsequently measured at cost.

### Revenue recognition

Donations are recorded as revenue when received since pledges are not legally enforceable claims. Donor-restricted donations for endowment purposes are recognized as revenue in the Endowment Fund. Other donor-restricted donations are recognized as revenue in Restricted Funds and unrestricted donations are recognized as revenue in the General Fund.

Income from investments, which consists of interest, dividends, distributions from pooled funds and realized and unrealized gains and losses, is recorded as revenue in the statement of revenue and expenses and changes in fund balances. Realized and unrealized gains (losses) earned on endowments externally restricted by donors are recorded as income (loss) of the Endowment Fund. Other investment income that must be spent on donor-restricted activities is recognized as income of Restricted Funds. All other investment income (loss) is recognized as income (loss) of the General Fund.

### Grants

Grants distributed by the Foundation are recorded as an expense when approved and all conditions to be complied with before payment is made have been met by the grantee. Grants returned to the Foundation are recorded as revenue when the Foundation becomes aware that the grantee is going to return the funds because it is unable to meet the grant conditions.

### Contributed materials and services

Contributed materials and services are not recognized in the financial statements.



## The Banting Research Foundation

### Notes to financial statements

June 30, 2017

#### 3. Investments

Investments, at fair value, consist of the following:

	2017 \$	2016 \$
Cash	11,484	51,862
Phillips, Hager & North Canadian Money Market Fund	10,484	—
Phillips, Hager & North Bond Fund	567,589	590,364
Phillips, Hager & North Mortgage Pension Trust Fund	628,028	638,447
Phillips, Hager & North Canadian Equity Fund	665,695	620,835
RBC Qube Low Volatile Canadian Equity Fund	631,228	618,025
RBC Emerging Markets Equity Fund	234,103	209,185
RBC Global Equity Focus Fund	1,654,309	1,456,023
	<b>4,402,920</b>	<b>4,184,741</b>

The asset mix of investments is as follows:

	2017 %	2016 %
Cash and cash equivalents	0.5	1.2
Canadian bonds	27.2	29.4
<b>Total cash and fixed income</b>	<b>27.7</b>	<b>30.6</b>
Canadian equities	29.4	29.6
Global equities	42.9	39.8
<b>Total equities</b>	<b>72.3</b>	<b>69.4</b>
	<b>100.0</b>	<b>100.0</b>

#### 4. Related party transactions

The University of Toronto [the "University"] provides facilities to the Foundation for which no rent is paid. In addition, the University provides accounting services for a fee of \$4,000 [2016 – \$4,000]. In the event of dissolution of the Foundation, all of its remaining assets [after the payment of debts and liabilities] would be distributed to the University to form part of its Connaught Fund.

## The Banting Research Foundation

### Notes to financial statements

June 30, 2017

#### 5. Endowment Fund

The Endowment Fund consists of the following:

	2017 \$	2016 \$
Externally restricted by the donor	1,455,304	1,324,260
Internally restricted by the Board	2,300,814	2,300,814
	<b>3,756,118</b>	<b>3,625,074</b>

The portion of the Endowment Fund externally restricted by the donor was derived from the initial seed capital contributed in 1925 of \$456,438. The portion of the Endowment Fund internally restricted by the Board was substantially derived from a \$1,000,000 donation from the estate of Kate Taylor, contributed in 1952. The appreciation of the portion of the Endowment Fund externally restricted by the donor has been achieved through realized and unrealized gains in investment income, while the appreciation of the portion of the Endowment Fund internally restricted by the Board has been achieved through Board-approved transfers from the General Fund.

#### 6. Investment income, net

Investment income, net consists of the following:

	2017 \$	2016 \$
Distributed income reinvested in pooled funds		
Interest and dividends	103,634	111,577
Capital gain distribution	50,659	93,467
Realized gain (loss) on sale of investments	6,496	(35,519)
Increase (decrease) in unrealized gain	301,576	(31,631)
Investment management fees	(31,445)	(30,677)
	<b>430,920</b>	<b>107,217</b>

Investment income is allocated to the funds as follows:

	2017 \$	2016 \$
Total investment income reported above	430,920	107,217
Deduct 36.53% [2016 – 36.36%] of the realized gain and increase in unrealized gain allocated to the Endowment Fund	(131,044)	(9,569)
<b>Investment gain allocated to the General Fund</b>	<b>299,876</b>	<b>97,648</b>

## **The Banting Research Foundation**

### **Notes to financial statements**

June 30, 2017

#### **7. Commitment**

The Foundation has committed to grant awards totaling \$157,065 in the next fiscal year.

#### **8. Financial instruments**

##### **Currency risk**

The Foundation is exposed to currency risk with respect to the underlying investments held by pooled funds denominated in foreign currencies because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

##### **Credit risk**

The Foundation is exposed to credit risk in connection with its pooled funds that hold fixed income securities because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

##### **Interest rate risk**

The Foundation is exposed to interest rate risk with respect to the underlying investments in fixed income securities held by the pooled funds because the fair value will fluctuate due to changes in market interest rates.

##### **Other price risk**

The Foundation is exposed to other price risk through changes in market prices [other than changes arising from interest rate or currency risks] in connection with its investments in pooled funds.

