

Financial Statements of

**THE FOUNDATION FOR  
GENE & CELL THERAPY**

And Independent Auditors' Report thereon

Year ended December 31, 2020



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## INDEPENDENT AUDITORS' REPORT

To the Directors of The Foundation for Gene & Cell Therapy

### ***Qualified Opinion***

We have audited the financial statements of The Foundation for Gene & Cell Therapy (the Entity), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of operations and changes in 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, except for the possible effects of the matter described in the "***Basis for Qualified Opinion***" section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020 and its results of operations, its changes in fund balances and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### ***Basis for Qualified Opinion***

In common with many charitable organizations, the Entity derives its revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the fund balances reported in the statements of financial position as at December 31, 2020 and December 31, 2019
- the donation revenue, excess of expenses over revenues, and fund balances, at the beginning and end of year, reported in the statements of operations and changes in fund balances for the years ended December 31, 2020 and December 31, 2019
- the excess of expenses over revenues reported in the statements of cash flows for the years ended December 31, 2020 and December 31, 2019

Our opinion on the financial statements for the year ended December 31, 2019 was qualified accordingly because of the possible effects of this limitation in scope.



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 qualified opinion.

### ***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 qualified 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 qualified 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.



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- 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 qualified 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*

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Chartered Professional Accountants, Licensed Public Accountants

London, Canada

April 28, 2021

# THE FOUNDATION FOR GENE & CELL THERAPY

## Statement of Financial Position

December 31, 2020, with comparative information for 2019

	General Fund	Research Fund	Jesse Davidson Endowment Fund	2020 Total	2019 Total
<b>Assets</b>					
Current assets:					
Cash	\$ 492,760	\$ -	\$ -	\$ 492,760	\$ 250,938
HST receivable	20,794	-	-	20,794	20,353
Other receivables (note 6)	66,688	-	-	66,688	1,907
Prepaid expenses	25,091	-	-	25,091	11,695
	605,333	-	-	605,333	284,893
Investments (note 2)	24,950	2,306,250	11,793,922	14,125,122	14,149,235
Computer equipment, office furniture and website (note 3)	2,715	-	-	2,715	4,977
	\$ 632,998	\$ 2,306,250	\$ 11,793,922	\$ 14,733,170	\$ 14,439,105
<b>Liabilities and Fund Balances</b>					
Current liabilities:					
Accounts payable and accrued liabilities (note 4)	\$ 46,610	\$ -	\$ -	\$ 46,610	\$ 45,063
Deferred revenue	50,000	-	-	50,000	25,000
	96,610	-	-	96,610	70,063
Long-term debt (note 5)	30,000	-	-	30,000	-
	126,610	-	-	126,610	70,063
Fund balances:					
Unrestricted	506,388	-	-	506,388	546,205
Internally restricted	-	2,306,250	-	2,306,250	2,345,447
Externally restricted	-	-	11,793,922	11,793,922	11,477,390
	506,388	2,306,250	11,793,922	14,606,560	14,369,042
	\$ 632,998	\$ 2,306,250	\$ 11,793,922	\$ 14,733,170	\$ 14,439,105

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# THE FOUNDATION FOR GENE & CELL THERAPY

## Statement of Operations and Changes in Fund Balances

Year ended December 31, 2020, with comparative information for 2019

	General Fund	Research Fund	Jesse Davidson Endowment Fund	2020 Total	2019 Total
<b>Revenue:</b>					
Donations	\$ 452,202	\$ 156,128	\$ 18,934	\$ 627,264	\$ 958,930
Gain on sale of investments	-	197,804	-	197,804	143,108
Investment income	-	930,485	-	930,485	726,039
HRDC grant revenue	4,237	-	-	4,237	-
Electronic raffles revenue	14,528	-	-	14,528	-
Government funding	10,000	-	-	10,000	-
	480,967	1,284,417	18,934	1,784,318	1,828,077
<b>Expenses:</b>					
Salaries and benefits (note 6)	293,284	-	-	293,284	297,303
Fundraising	82,331	2,126	-	84,457	81,095
Investment fees	-	71,405	-	71,405	73,299
Professional fees	41,055	3,004	-	44,059	30,578
Office expenses	37,065	-	-	37,065	51,647
Rent	30,843	-	-	30,843	27,215
Database management	19,310	-	-	19,310	13,914
Interest and bank charges	8,526	108	-	8,634	8,471
Grant management	1,990	1,610	-	3,600	186
Memberships	2,822	-	-	2,822	5,034
Amortization of computer equipment, office furniture and website	2,262	-	-	2,262	2,456
Scholarships and bursaries	1,000	-	-	1,000	-
Board expenses	296	-	-	296	3,045
	520,784	78,253	-	599,037	594,243
Excess (deficiency) of revenue over expenses before the undernoted items	(39,817)	1,206,164	18,934	1,185,281	1,233,834
<b>Other income (expense):</b>					
Unrealized gain on investments	-	-	297,598	297,598	1,208,089
Research grants	-	(1,245,361)	-	(1,245,361)	(1,205,313)
	-	(1,245,361)	297,598	(947,763)	2,776
Excess (deficiency) of revenue over expenses	(39,817)	(39,197)	316,532	237,518	1,236,610
Fund balances, beginning of year	546,205	2,345,447	11,477,390	14,369,042	13,132,432
Fund balances, end of year	\$ 506,388	\$ 2,306,250	\$11,793,922	\$ 14,606,560	\$ 14,369,042

See accompanying notes to financial statements.

# THE FOUNDATION FOR GENE & CELL THERAPY

## Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	General Fund	Research Fund	Jesse Davidson Endowment Fund	2020	2019
Cash provided by (used in):					
Operations:					
Excess (deficiency) of revenue over expenses	\$ (39,817)	\$ (39,197)	\$ 316,532	\$ 237,518	\$ 1,236,610
Item not involving cash:					
Amortization	2,262	-	-	2,262	2,456
HST receivable	(441)	-	-	(441)	(1,066)
Other receivables	(64,781)	-	-	(64,781)	(207)
Prepaid expenses	(13,396)	-	-	(13,396)	3,452
Accounts payable and accrued liabilities	1,547	-	-	1,547	3,848
Deferred revenue	25,000	-	-	25,000	25,000
	(89,626)	(39,197)	316,532	187,709	1,270,093
Financing:					
Long-term debt	30,000	-	-	30,000	-
Investing:					
Purchase of capital assets	-	-	-	-	(1,178)
Net change in investments	301,448	39,197	(316,532)	24,113	(1,202,236)
	301,448	39,197	(316,532)	24,113	(1,203,414)
Increase in cash	241,822	-	-	241,822	66,679
Cash, beginning of year	250,938	-	-	250,938	184,259
Cash, end of year	\$ 492,760	\$ -	\$ -	\$ 492,760	\$ 250,938

See accompanying notes to financial statements.

# THE FOUNDATION FOR GENE & CELL THERAPY

Notes to Financial Statements

Year ended December 31, 2020

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## **Nature of operations:**

The Foundation for Gene & Cell Therapy (the "Foundation") is incorporated under the provisions of the Canada Corporations Act as a corporation without share capital. The Foundation, also known as Jesse's Journey, was established in 1994 and supports research into gene and cell therapy. The Foundation is a registered charity (Registration No. 89509 7756 RR 0001) and was granted designation as a public foundation on November 1, 1996, under Section 149.1(6.3) of the Income Tax Act (Canada) (the "Act"). Under the provisions of the Act, the Foundation is exempt from taxes on income. In order to maintain its status as a public foundation under the Act, the Foundation must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

## **1. Significant accounting policies:**

The financial statements of the Foundation have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CPA Canada Handbook - Accounting. The significant accounting policies adopted by the Foundation are summarized below:

### **(a) Fund accounting:**

The Foundation follows the restricted fund method of accounting for contributions. The principles of fund accounting are used to ensure observance of limitations and restrictions placed on the use of resources and to appropriately match expenditures with related revenues. Resources are classified into funds that are in accordance with specified activities or objectives and these have been summarized under the following groups:

- (i) The General Fund accounts for revenue and expenditures involved in general fundraising and administrative activity of the Foundation. Unrestricted donations available for immediate purposes are allocated to the General Fund.
- (ii) The Research Fund accounts for receipt of donations and bequests which have been restricted by donors for research purposes. It also reports investment income earned on resources of the Jesse Davidson Endowment Fund, which is internally restricted for research purposes, and investment and research expenditures incurred.
- (iii) The Jesse Davidson Endowment Fund accounts for receipt of donations and bequests which have been endowed by the donor to support research. Revenue of the Endowment Fund is limited to amounts that have been restricted for endowment purposes by the external donor. Investment income earned on resources of the Jesse Davidson Endowment Fund is reported in the Research Fund.

# THE FOUNDATION FOR GENE & CELL THERAPY

Notes to Financial Statements (continued)

Year ended December 31, 2020

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## 1. Significant accounting policies (continued):

### (b) Revenue recognition:

Unrestricted donations are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment are recognized as revenue in the Jesse Davidson Endowment Fund.

Investment income earned on Jesse Davidson Endowment Fund resources that must be spent on research activities is recognized as revenue of the Research Fund. Other investment income is recognized as revenue of the General Fund when earned. The change in unrealized gain (loss) on investments is recognized in the Jesse Davidson Endowment Fund.

### (c) 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 Foundation 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 Foundation 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 Foundation expects to realize 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 improvement, not exceeding the initial carrying value.

It is management's opinion that there is no exposure to significant amounts of credit, interest or foreign exchange risks.

# THE FOUNDATION FOR GENE & CELL THERAPY

Notes to Financial Statements (continued)

Year ended December 31, 2020

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## 1. Significant accounting policies (continued):

(d) Contributed services:

Volunteers contribute a significant amount of time each year to assist the Foundation in carrying out its fundraising activities. Because of the difficulty in determining the fair value, contributed services are not recognized in the financial statements.

(e) Research grants:

Research grants are recorded when paid in the Research Fund.

(f) Computer equipment, office furniture and website:

Computer equipment, office furniture and website are recorded at cost. Amortization is provided using the following basis and estimated useful lives:

Asset	Basis	Rate
Computer hardware	Declining balance	33%
Furniture and fixtures	Declining balance	20%
Website	Straight-line	20%

(g) Use of estimates:

The preparation of the 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 financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(h) Government funding:

Government funding is recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the funding occur, performance criteria are met, and a reasonable estimate of the amount can be made. Government funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenditures are incurred or services performed.

# THE FOUNDATION FOR GENE & CELL THERAPY

Notes to Financial Statements (continued)

Year ended December 31, 2020

## 2. Investments:

	December 31, 2020		December 31, 2019	
	Fair market value	Cost	Fair market value	Cost
Long-term investments:				
Mawer Pooled:				
Balanced Pooled Fund	\$ 14,125,122	\$ 11,587,520	\$ 14,149,235	\$ 11,909,231

## 3. Computer equipment, office furniture and website:

	2020		2019	
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware	\$ 64,723	\$ 62,814	\$ 1,909	\$ 2,864
Furniture and fixtures	11,876	11,702	174	218
Website	23,108	22,476	632	1,895
	\$ 99,707	\$ 96,992	\$ 2,715	\$ 4,977

## 4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$9,657 (2019 - \$7,617), which includes amounts payable for payroll related taxes.

## 5. Long-term debt:

During the year, the Foundation applied for and received \$40,000 for the Canada Emergency Business Account ("CEBA") Loan. The \$10,000 forgivable portion of the loan has been recognized as government funding revenue when received. The loan is due on December 31, 2022, and if repaid on or before that date then \$10,000 is eligible to be forgiven. If the loan is not repaid by the due date, then it will be converted into a three year term loan bearing an interest rate of 5% per annum.

The Foundation expects to repay the loan prior to its due date in 2022.

# THE FOUNDATION FOR GENE & CELL THERAPY

Notes to Financial Statements (continued)

Year ended December 31, 2020

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## 6. Government Funding:

During the year, the Foundation applied for \$6,433 of Temporary Wage Subsidy ("TWS") funding and \$66,688 of Canadian Emergency Wage Subsidy ("CEWS") funding. Amounts claimed in accordance with TWS and CEWS were recorded net in the Statement of Operations as an offset to wages and benefits expense.

As at December 31, 2020, \$66,688 was owing to the Foundation for funding applied and not received. This amount has been recorded in other receivables.

## 7. Impact of COVID-19 Pandemic:

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19" resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruptions to business globally, resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak are unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of the pandemic and, in turn, the impact on the financial results and condition of the Foundation in future periods.

## 8. Commitments:

The directors have approved further research grants for the Duchenne Research Initiative, at a minimum of \$1,200,000 for 2021 and \$350,000 for 2022.

## 9. Capital management:

In managing capital, the Foundation focuses on liquid resources available for operations. The Foundation's objective is to have sufficient liquid resources to continue operating and funding grant commitments despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purpose. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As of December 31, 2020, the Foundation has met its objective of having sufficient liquid resources to meet its current obligations.

# THE FOUNDATION FOR GENE & CELL THERAPY

Notes to Financial Statements (continued)

Year ended December 31, 2020

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## 10. Financial risk:

Market price risk:

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issue or all other factors affecting all instruments traded in the market. As all of the Foundation's financial instruments are carried at fair value with fair value changes recognized in the statement of operations and changes in fund balances, all changes in market conditions will directly affect the financial position of the Foundation. Market price risk is managed by the investment manager through construction of a diversified portfolio of instruments traded on various markets and across various industries, in accordance with the Foundation's investment policy. There has been no significant change to the risk exposure from 2019.