

Financial Statements of

**THE FOUNDATION FOR GENE &
CELL THERAPY**

Year ended December 31, 2016



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Foundation for Gene & Cell Therapy

We have audited the accompanying financial statements of The Foundation for Gene & Cell Therapy, which comprise the statement of financial position as at December 31, 2016, the statements of operations and changes in fund balances, 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 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 our 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, we 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.



Basis for Qualified Opinion

In common with many charitable organizations, The Foundation for Gene & Cell Therapy derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of The Foundation for Gene & Cell Therapy.

Therefore, we were not able to determine whether, as at December 31, 2016, and for the year then ended, any adjustments might be necessary to donations and excess of revenue over expenses reported in the statements of operations, excess of revenue over expenses reported in the statements of cash flows and current assets and fund balances reported in the balance sheets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Foundation for Gene & Cell Therapy as at December 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not for profit organizations.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that serves as a flourish or underline.

Chartered Professional Accountants, Licensed Public Accountants

May 8, 2017

London, Canada

THE FOUNDATION FOR GENE & CELL THERAPY

Statement of Financial Position

December 31, 2016, with comparative information for 2015

	General Fund	Research Fund	Jesse Davidson Endowment Fund	2016 Total	2015 Total
Assets					
Current assets:					
Cash	\$ 160,172	\$ -	\$ -	\$ 160,172	\$ 149,493
Short-term investments (note 3)	-	-	-	-	51,204
HST receivable	16,876	-	-	16,876	16,943
Prepaid expenses	7,304	-	-	7,304	4,661
Other receivables	4,147	-	-	4,147	-
	188,499	-	-	188,499	222,301
Investments (note 3)	141,110	2,402,939	10,840,489	13,384,538	13,816,046
Computer equipment and office furniture (note 4)	13,459	-	-	13,459	8,868
	\$ 343,068	\$ 2,402,939	\$ 10,840,489	\$ 13,586,496	\$ 14,047,215

Liabilities and Fund Balances

Current liabilities:					
Accounts payable and accrued liabilities (note 5)	\$ 43,068	\$ -	\$ -	\$ 43,068	\$ 36,016
Fund balances:					
Externally restricted	-	-	10,840,489	10,840,489	11,050,699
Internally restricted	-	2,402,939	-	2,402,939	2,631,975
Unrestricted	300,000	-	-	300,000	328,525
	300,000	2,402,939	10,840,489	13,543,428	14,011,199
Commitments (note 6)					
	\$ 343,068	\$ 2,402,939	\$ 10,840,489	\$ 13,586,496	\$ 14,047,215

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, 2016, with comparative information for 2015

	General Fund	Research Fund	Jesse Davidson Endowment Fund	2016 Total	2015 Total
Revenue:					
Donations	\$ 361,521	\$ 121,999	\$ 36,481	\$ 520,001	\$ 716,859
Investment income	97	664,224	-	664,321	1,021,743
Gain on sale of investments	-	151,002	-	151,002	151,100
	361,618	937,225	36,481	1,335,324	1,889,702
Expenses:					
Salaries and benefits	245,240	-	-	245,240	220,020
Fundraising	31,689	-	-	31,689	38,880
Office expenses	34,724	-	-	34,724	37,173
Grants management	-	6,049	-	6,049	-
Investment fees	-	72,396	-	72,396	71,667
Professional fees	30,239	-	-	30,239	27,747
Rent	23,402	-	-	23,402	22,165
Database management	18,887	-	-	18,887	8,521
Interest and bank charges	10,007	-	-	10,007	6,493
Amortization of computer equipment and office furniture	1,726	-	-	1,726	1,267
Board expenses	3,288	-	-	3,288	1,475
Memberships	2,851	-	-	2,851	1,617
	402,053	78,445	-	480,498	437,025
Excess (deficiency) of revenue over expenses before the undernoted	(40,435)	858,780	36,481	854,826	1,452,677
Unrealized gain (loss) on investments	-	-	(246,691)	(246,691)	302,299
Research grants	(1,500)	(1,074,406)	-	(1,075,906)	(1,218,308)
	(1,500)	(1,074,406)	(246,691)	(1,322,597)	(916,009)
Excess (deficiency) of revenues over expenses	(41,935)	(215,626)	(210,210)	(467,771)	536,668
Fund balance, beginning of year	328,525	2,631,975	11,050,699	14,011,199	13,474,531
Internal transfer	13,410	(13,410)	-	-	-
Fund balance, end of year	\$ 300,000	\$ 2,402,939	\$10,840,489	\$13,543,428	\$14,011,199

See accompanying notes to financial statements.

THE FOUNDATION FOR GENE & CELL THERAPY

Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	General Fund	Research Fund	Jesse Davidson Endowment Fund	2016 Total	2015 Total
Cash provided by (used in):					
Operating activities:					
Excess (deficiency) of revenues over expenses	\$ (41,935)	\$ (215,626)	\$ (210,210)	\$ (467,771)	\$ 536,668
Adjustments for:					
Amortization of computer equipment and office furniture	1,726	-	-	1,726	1,267
Changes in non-cash operating working capital:					
Short-term investments	51,204	-	-	51,204	28,188
HST receivable	67	-	-	67	10,170
Prepaid expenses	(2,643)	-	-	(2,643)	(148)
Other receivables	(4,147)	-	-	(4,147)	-
Accounts payable and accrued liabilities	7,052	-	-	7,052	(5,973)
	11,324	(215,626)	(210,210)	(414,512)	570,172
Investing activities:					
Purchase of capital assets	(6,317)	-	-	(6,317)	-
Net change in investments	(7,738)	229,036	210,210	431,508	(781,803)
	(14,055)	229,036	210,210	425,191	(781,803)
Internal transfer	13,410	(13,410)	-	-	-
Increase (decrease) in cash	10,679	-	-	10,679	(211,631)
Cash, beginning of year	149,493	-	-	149,493	361,124
Cash, end of year	\$ 160,172	\$ -	\$ -	\$ 160,172	\$ 149,493

See accompanying notes to financial statements.

THE FOUNDATION FOR GENE & CELL THERAPY

Notes to Financial Statements

Year ended December 31, 2016

1. 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.

2. 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.

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Notes to Financial Statements (continued)

Year ended December 31, 2016

2. 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.

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Notes to Financial Statements (continued)

Year ended December 31, 2016

2. 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 and office furniture:

Computer equipment and office furniture 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%
Computer software	Declining balance	50%

(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.

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Notes to Financial Statements (continued)

Year ended December 31, 2016

3. Investments:

December 31, 2016	Fair market value	Cost
Long-term investments:		
Mawer Pooled:		
Balanced Pooled Fund	\$ 13,384,538	\$ 11,707,056
	<u>\$ 13,384,538</u>	<u>\$ 11,707,056</u>
December 31, 2015	Fair market value	Cost
Short-term investments:		
Scotiabank:		
Guaranteed investment certificates	\$ 51,204	\$ 51,204
Long-term investments:		
Mawer Pooled:		
Balanced Pool Fund	13,816,046	11,891,873
	<u>\$ 13,867,250</u>	<u>\$ 11,943,077</u>

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Notes to Financial Statements (continued)

Year ended December 31, 2016

4. Computer equipment and office furniture:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware	\$ 59,680	\$ 59,095	\$ 585	\$ 876
Furniture and fixtures	11,876	11,451	425	532
Website	23,108	10,659	12,449	7,460
Computer software	6,474	6,474	-	-
	<u>\$ 101,138</u>	<u>\$ 87,679</u>	<u>\$ 13,459</u>	<u>\$ 8,868</u>

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$4,281 (2015 - \$4,958), which includes amounts payable for payroll related taxes.

6. Commitments:

- (a) The Foundation has an agreement to lease office space through to December 31, 2017 for minimum annual rental payments of \$25,440.
- (b) The directors have approved further research grants for the Duchenne Research Initiative, at a minimum of \$576,000 for 2017 and \$301,500 for 2018.

7. 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, 2016 the Foundation has met its objective of having sufficient liquid resources to meet its current obligations.

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Notes to Financial Statements (continued)

Year ended December 31, 2016

8. 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 2015.

9. Comparative figures:

Certain of the 2015 comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.