



Financial Statements

The Canadian Institute for Advanced Research -  
L'Institut Canadien de Recherches Avancées

June 30, 2018

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# Independent Auditor's Report

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To the Members of  
The Canadian Institute for Advanced Research -  
L'Institut Canadien de Recherches Avancées

We have audited the accompanying financial statements of **The Canadian Institute for Advanced Research – L'Institut Canadien de Recherches Avancées**, which comprise the statement of financial position as at June 30, 2018, and the statements of operations, changes in net assets 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.

## Auditor's 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 auditor's 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 auditor considers 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 in our audit 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 Canadian Institute for Advanced Research – L’Institut Canadien de Recherches Avancées** as at June 30, 2018, 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.



Toronto, Canada  
September 25, 2018

Chartered Professional Accountants  
Licensed Public Accountants

**The Canadian Institute for Advanced Research -  
L'Institut Canadien de Recherches Avancées**  
**Statement of Financial Position**

(in thousands, unless otherwise noted)

June 30

2018

2017

**Assets**

Current

Cash	\$ 2,110	\$ 1,439
Accounts receivable (Note 3)	2,777	4,025
Investments (Note 4)	9,000	3,844
Prepaid expenses	<u>230</u>	<u>298</u>
	14,117	9,606
Investments (Note 4)	18,688	16,585
Property, equipment and leasehold improvements (Note 5)	1,566	1,686
Intangible assets (Note 5)	<u>120</u>	<u>147</u>
	<u>\$ 34,491</u>	<u>\$ 28,024</u>

**Liabilities**

Current

Accounts payable and accrued liabilities	\$ 5,139	\$ 4,194
Deferred revenue (Note 6)	5,708	3,513
Deferred tenant allowance (Note 6)	<u>40</u>	<u>40</u>
	10,887	7,747
Deferred revenue (Note 6)	2,393	520
Deferred tenant allowance (Note 6)	<u>321</u>	<u>363</u>
	<u>13,601</u>	<u>8,630</u>

**Net assets**

Invested in property, equipment, leasehold improvements and intangible assets	1,325	1,430
Externally restricted endowment fund	474	474
Internally restricted reserve	10,000	11,000
Unrestricted	<u>9,091</u>	<u>6,490</u>
	<u>20,890</u>	<u>19,394</u>
	<u>\$ 34,491</u>	<u>\$ 28,024</u>

Commitments (Note 9)

On behalf of the Board of Directors

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**The Canadian Institute for Advanced Research -  
L'Institut Canadien de Recherches Avancées**  
**Statement of Operations**

(in thousands, unless otherwise noted)

Year ended June 30	2018	2017
Revenue		
Program contributions (Note 6)		
Government funding (Note 3)		
Federal		
Operational funding	\$ 7,000	\$ 5,680
Pan-Canadian AI Strategy	5,723	87
Provincial	<u>7,044</u>	<u>6,595</u>
	<u>19,767</u>	<u>12,362</u>
Partnerships		
Research organizations	2,643	2,415
Universities and others	<u>245</u>	<u>258</u>
	<u>2,888</u>	<u>2,673</u>
Private sector		
Corporations	853	1,053
Foundations	3,488	3,568
Individuals	<u>1,779</u>	<u>1,753</u>
	<u>6,120</u>	<u>6,374</u>
Investment income (Note 4(b))	<u>1,574</u>	<u>1,353</u>
	<u>30,349</u>	<u>22,762</u>
Expenses		
Program expenses		
Knowledge creation (Note 7(a))	15,161	16,073
Pan-Canadian AI strategy	6,018	87
Knowledge mobilization and communications	2,803	3,141
Next generation (Note 7(b))	<u>2,250</u>	<u>1,285</u>
	<u>26,232</u>	<u>20,586</u>
Non-program expenses (Note 7(c))	<u>2,581</u>	<u>2,205</u>
	<u>28,813</u>	<u>22,791</u>
Excess (deficiency) of revenue over expenses from operations	1,536	(29)
Unrealized (loss) gain on investments	<u>(40)</u>	<u>1,790</u>
Excess of revenue over expenses	<u>\$ 1,496</u>	<u>\$ 1,761</u>

See accompanying notes to the financial statements.

## The Canadian Institute for Advanced Research - L'Institut Canadien de Recherches Avancées

### Statement of Changes in Net Assets

(in thousands, unless otherwise noted) Year ended June 30	Invested in property, equipment, leasehold improvements and intangible assets	Externally restricted endowment fund	Internally restricted reserve	Unrestricted	<b>2018 Total</b>	2017 Total
Balance, beginning of year	\$ 1,430	\$ 474	\$ 11,000	\$ 6,490	<b>\$ 19,394</b>	\$ 17,633
Excess (deficiency) of revenue over expenses	(226)	-	-	1,722	<b>1,496</b>	1,761
Transfer of internally restricted reserve to support operations	-	-	(1,000)	1,000	-	-
Investment in property, equipment, leasehold improvements and intangible assets	121	-	-	(121)	-	-
Balance, end of year	<u>\$ 1,325</u>	<u>\$ 474</u>	<u>\$ 10,000</u>	<u>\$ 9,091</u>	<u><b>\$ 20,890</b></u>	<u>\$ 19,394</u>

See accompanying notes to the financial statements.

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**The Canadian Institute for Advanced Research -  
L'Institut Canadien de Recherches Avancées**  
**Statement of Cash Flows**

(in thousands, unless otherwise noted)

Year ended June 30	2018	2017
<b>Operating activities</b>		
Excess of revenue over expenses	\$ 1,496	\$ 1,761
Items not involving cash		
Amortization of property, equipment, leasehold improvements and intangible assets	268	177
Amortization of deferred tenant allowance	(42)	-
Deferred revenue recognized (Note 6)	(28,775)	(15,070)
Unrealized (gains) losses on investments	40	(1,790)
	<u>(27,013)</u>	<u>(14,922)</u>
 Change in non-cash working capital items		
Accounts receivable	1,248	(1,880)
Prepaid expenses	68	(176)
Accounts payable and accrued liabilities	945	(10)
Deferred revenue received (Note 6)	32,843	12,638
	<u>35,104</u>	<u>10,572</u>
	<u>8,091</u>	<u>(4,350)</u>
 <b>Investing activities</b>		
Proceeds on sale of investments, net	1,701	4,784
Purchase of investments	(9,000)	-
Investment in property, equipment, leasehold improvements and intangible assets	(121)	(1,678)
Tenant allowance received	-	403
	<u>(7,420)</u>	<u>3,509</u>
 Increase (decrease) in cash and short-term deposits during the year	671	(841)
Cash, beginning of year	<u>1,439</u>	<u>2,280</u>
Cash, end of year	<u>\$ 2,110</u>	<u>\$ 1,439</u>

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# The Canadian Institute for Advanced Research - L'Institut Canadien de Recherches Avancées

## Notes to the Financial Statements

(In thousands, unless otherwise noted)

June 30, 2018

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### 1. Nature of operations

The Canadian Institute for Advanced Research - L'Institut Canadien de Recherches Avancées (CIFAR) is incorporated under the Canada Corporations Act as a not-for-profit organization and has continued under the Canada Not-for-Profit Corporations Act. CIFAR is also a registered charity under the Income Tax Act (Canada). The primary objective of CIFAR is to bring leading researchers together to work on major collaborative advanced research projects that address scientific, economic and social questions that are of importance to the future of Canada and the world. CIFAR funds multi-year projects that bridge institutional, regional, cultural and national boundaries. The funding provided by CIFAR contributes to research support and compensation of program members.

In common with other not-for-profit organizations, CIFAR is economically dependent on the continued financial support of federal and provincial governments, partnerships and the private sector to meet its ongoing commitments.

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### 2. Summary of significant accounting policies

#### Basis of presentation

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). ASNPO are part of Canadian generally accepted accounting principles. ASNPO requires entities to select policies appropriate for their circumstances from policies in these standards. The following are the policies selected by CIFAR and applied in these financial statements.

#### Financial instruments

CIFAR considers any contract creating a financial asset, liability or equity instrument as a financial instrument. CIFAR's financial instruments comprise cash, investments, accounts receivable and accounts payable.

#### *Cash, accounts receivable and accounts payable*

Cash, accounts receivable and accounts payable are initially measured at fair value and subsequently recorded at amortized cost.

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# The Canadian Institute for Advanced Research - L'Institut Canadien de Recherches Avancées

## Notes to the Financial Statements

(In thousands, unless otherwise noted)  
June 30, 2018

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### 2. Summary of significant accounting policies (continued)

#### Financial instruments (continued)

##### *Investments*

Investments deferred for future years (Note 4) represent externally restricted unspent funding received from federal and provincial governments, partnerships and the public and private sector. These investments, investments in the externally restricted endowment fund and internally restricted net assets (Note 4) comprise GICs and short-term deposits and investments in a long-term equity portfolio. Cash and short-term deposits are initially measured at fair value and subsequently recorded at amortized cost and consist of highly liquid, interest bearing instruments with maturities of three months or less or which can be liquidated without significant penalty. The long-term equity portfolio is measured at fair value based upon active market quoted rates using the monthly closing bid price. Unrealized gains or losses are recognized in the statement of operations.

#### Property, equipment and leasehold improvements

Property, equipment and leasehold improvements are recorded at cost and are amortized over their estimated useful lives as follows:

Computer hardware	33% straight-line
Leasehold improvements	Straight-line over remaining life of the lease

#### Intangible assets

Intangible assets consist of computer software and are recorded at cost and are amortized over their estimated useful lives of 5 years.

#### Externally restricted endowment fund

The externally restricted endowment fund represents restricted contributions subject to externally imposed restrictions specifying that the resources contributed be maintained permanently and are subject to CIFAR's preservation of capital policy unless otherwise specified by the donor. CIFAR's preservation of capital policy allows for the encroachment of capital to cover realized or unrealized losses and disbursements in excess of investment income on the basis that the capital will be replenished by future net investment income. Investment income realized on these funds is unrestricted and maintained within the unrestricted fund unless otherwise restricted by the donor.

#### Internally restricted reserve

The internally restricted reserve represents net assets restricted by the Board of Directors (the "Board") for specific purposes. These amounts are not available for other purposes without the approval of the Board. Investment income realized on these funds is unrestricted. Transfers are determined based on CIFAR's objectives, policies and processes for managing capital.

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# The Canadian Institute for Advanced Research - L'Institut Canadien de Recherches Avancées

## Notes to the Financial Statements

(In thousands, unless otherwise noted)

June 30, 2018

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### 2. Summary of significant accounting policies (continued)

#### Deferred tenant allowance

Deferred tenant allowance represents cash received from the landlord pursuant to the lease agreement for premises occupied by CIFAR. The allowance is amortized against rent expense over the term of the lease.

#### Revenue recognition

Endowment contributions are recognized as direct increases in net assets in the year in which they are received.

Externally restricted contributions received are recognized as revenue in the year in which the related expenses are incurred or in the year they are designated for.

Unrestricted contributions are recognized as revenue when received or receivable and measurement is reasonably assured.

#### Contributed goods and services

Contributed goods and services are not recognized in these financial statements due to the difficulty in determining their fair value.

#### Foreign currency translation

CIFAR translates balances denominated in foreign currencies at the exchange rates in effect at the date of the statement of financial position for monetary assets and liabilities, and the average exchange rates during the year for revenue and expenses. Unrealized translation gains and losses are recognized in the statement of operations.

#### Allocation of expenses

CIFAR allocates personnel, rent and overhead expenses on the following basis:

- i) President's office expenses - based on the proportion of time the President's office personnel spend overseeing each department; and
- ii) Rent and overhead expenses - based upon head count for each department.

In the previous year, CIFAR allocated the rent and overhead expenses based upon usage by department. The change in allocation method is considered a change in accounting policy. As such, the prior year comparative figures have been restated to reflect the new policy. Knowledge creation, knowledge mobilization and communications and non-program expenses previously reflected as \$15,637, \$2,914 and \$2,868, respectively, have been restated as \$16,073, \$3,141 and \$2,205. There was no impact on the excess of revenue over expenses as a result of this change.

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# The Canadian Institute for Advanced Research - L'Institut Canadien de Recherches Avancées

## Notes to the Financial Statements

(In thousands, unless otherwise noted)  
June 30, 2018

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### 3. Government funding

#### (a) Government of Canada

Effective April 1, 2012, CIFAR entered into a five-year agreement with the Government of Canada to provide funding in the amount of \$25 million, to be disbursed to CIFAR at a rate of \$5 million per annum. During the year, CIFAR recognized revenue of \$Nil (2017 - \$3.75 million) under this agreement. As at June 30, 2017, all funding has been received and all revenue under this agreement has been recognized.

Effective April 1, 2017, CIFAR entered into a five-year agreement with the Government of Canada to provide funding in the amount of \$35 million, to be disbursed to CIFAR at a rate of \$7 million per annum. During the year, CIFAR recognized revenue of \$7 million (2017 - \$1.75 million) under this agreement. A quarterly instalment of \$1.75 million (2017 - \$1.75 million) for the period April 1, 2018 to June 30, 2018 has been accrued at year end. As at June 30, 2018, \$8.75 million has been received or is receivable, \$8.75 million has been recognized and \$26.25 million remains to be recognized under this agreement.

In accordance with the funding agreement, CIFAR will commit to seek additional financial contributions of \$35 million from non-federal sources over the term of the agreement.

In March 2017, the Government of Canada announced it would invest \$125 million in a Pan-Canadian Artificial Intelligence (AI) Strategy ("the AI Strategy") led by CIFAR. This investment will ensure that Canada retains, attracts, and trains top research talent in deep learning and reinforcement learning. The AI Strategy will also support research and policy outreach on the economic, ethical, policy, and legal issues related to the advent of AI, and is designed to provide a strong foundation of research excellence so that all Canadians benefit from the continuing developments of AI. In leading this strategy, CIFAR will be instrumental in developing a game-changing AI ecosystem, and championing a strong foundation of research excellence on which to build Canadian pre-eminence in AI. It is a five-year agreement with the department of Innovation, Science and Economic Development to be disbursed to CIFAR at a rate of \$25 million per annum. During the year, CIFAR recognized revenue of \$5.72 million (2017 - \$87). As at June 30, 2018, \$7.5 million has been received or is receivable, \$5.81 million has been recognized and \$119.19 million remains to be recognized under this agreement.

#### (b) Government of British Columbia

Effective March 2016, CIFAR entered into a four-year agreement with the Government of British Columbia to receive funding of \$4 million restricted to certain programs and certain expenditures within those programs. During the year, CIFAR recognized revenue of \$1.69 million (2017 - \$1.65 million) in accordance with the restrictions. As at June 30, 2018, all funding has been received and recognized under this agreement.

Effective March 2018, CIFAR entered into a two-year agreement with the Government of British Columbia to receive funding of \$4 million restricted to certain programs and certain expenditures within those programs. During the year, CIFAR recognized \$Nil (2017 - \$Nil) in accordance with the restrictions under this agreement. As at June 30, 2018, all funding has been received, \$Nil has been recognized and \$4 million remains to be recognized under this agreement.

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# The Canadian Institute for Advanced Research - L'Institut Canadien de Recherches Avancées

## Notes to the Financial Statements

(In thousands, unless otherwise noted)  
June 30, 2018

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### 3. Government funding (continued)

#### (c) Government of Ontario

Effective November 2015, CIFAR entered into a three-year agreement with the Ministry of Research and Innovation of Ontario to receive funding of \$10 million in installments of \$2 million upon execution of the agreement, \$4 million not later than November 2016 and \$4 million not later than November 2017. During the year, CIFAR recognized \$4 million (2017 - \$4 million) under this agreement. As at June 30, 2018, all funding has been received and recognized under this agreement.

Effective April 2018, CIFAR entered into a five-year agreement with the Ministry of Research and Innovation of Ontario to receive funding of \$20 million in installments of \$4 million per annum. During the year, CIFAR recognized \$Nil (2017 - \$Nil) under this agreement. As at June 30, 2018, no funding has been received or recognized and \$20 million remains to be recognized.

#### (d) Government of Alberta

Effective March 2017, CIFAR entered into a three-year agreement with the Government of Alberta to receive funding of \$1.8 million, in installments of \$1.2 million and \$600, restricted to certain programs and certain expenditures within these programs. During the year, CIFAR recognized revenue of \$600 (2017 - \$900) in accordance with the restrictions and accrued \$300 (2017 - \$Nil) at year end as receivable. As at June 30, 2018, \$1.5 million has been received or is receivable, \$1.5 million has been recognized and \$300 remains to be recognized under this agreement.

#### (e) Government of Quebec

Effective January 2015, CIFAR entered into a five-year agreement with the Government of Quebec to receive funding of \$600, in installments of \$150 per annum, restricted to certain programs and certain expenditures within these programs. During the year, CIFAR recognized revenue of \$150 (2017 - \$215) in accordance with the restrictions under this agreement. As at June 30, 2018, \$475 has been received or is receivable, \$394 has been recognized and \$206 remains to be recognized under this agreement.

Effective June 2017, CIFAR entered into a five-year agreement with the Government of Quebec to receive funding of \$3 million, in installments of \$600 per annum. During the year, CIFAR recognized revenue of \$600 (2017 - \$Nil) under this agreement. As at June 30, 2018, \$600 has been received or is receivable, \$600 has been recognized and \$2.4 million remains to be recognized under this agreement.

# The Canadian Institute for Advanced Research - L'Institut Canadien de Recherches Avancées

## Notes to the Financial Statements

(In thousands, unless otherwise noted)

June 30, 2018

### 4. Investments

	Deferred for future years	Externally restricted endowment fund	Internally restricted	<b>2018 Total</b>	2017 Total
GICs and short-term deposits	\$ 9,000	\$ -	\$ -	<b>\$ 9,000</b>	\$ 3,844
Long-term equity portfolio	<u>8,214</u>	<u>474</u>	<u>10,000</u>	<b><u>18,688</u></b>	<u>16,585</u>
	17,214	474	10,000	<b>27,688</b>	20,429
Less: current portion	<u>(9,000)</u>	<u>-</u>	<u>-</u>	<b><u>(9,000)</u></b>	<u>(3,844)</u>
	<b><u>\$ 8,214</u></b>	<b><u>\$ 474</u></b>	<b><u>\$ 10,000</u></b>	<b><u>\$ 18,688</u></b>	<b><u>\$ 16,585</u></b>

(a) As at June 30, 2018, the investments deferred for future years represent funds received from the private and public sector and partnerships and have been deferred in accordance with the various agreements held with the donors.

(b) Interest income realized on GICs and short-term deposits of \$106 (2017 - \$33) has been included in investment income for the year.

Investment income realized on the long-term equity portfolio of \$1,468 (2017 - \$1,320) has been included in investment income for the year. Of this investment income, \$30 (2017 - \$41) related to the investment income earned on the investment held for endowment.

### 5. Property, equipment, leasehold improvements and intangible assets

Property, equipment and leasehold improvements

	Cost	Accumulated Amortization	<b>2018 Net</b>	2017 Net
Computer hardware	\$ 98	\$ 55	<b>\$ 43</b>	\$ 39
Leasehold improvements	<u>1,774</u>	<u>251</u>	<b><u>1,523</u></b>	<u>1,647</u>
	<b><u>\$ 1,872</u></b>	<b><u>\$ 306</u></b>	<b><u>\$ 1,566</u></b>	<b><u>\$ 1,686</u></b>

Intangible assets

	Cost	Accumulated Amortization	<b>2018 Net</b>	2017 Net
Software	<u>\$ 435</u>	<u>\$ 315</u>	<b><u>\$ 120</u></b>	<u>\$ 147</u>

# The Canadian Institute for Advanced Research - L'Institut Canadien de Recherches Avancées

## Notes to the Financial Statements

(In thousands, unless otherwise noted)  
June 30, 2018

### 6. Deferred revenue and deferred tenant allowance

	Deferred revenue beginning of year	Received or receivable during year	Less: Amounts accrued in previous years	Recognized as revenue	Deferred revenue end of year	Less: current portion	Deferred revenue long-term portion
<b>2018</b>							
Government of Canada	\$ -	\$ 7,000	\$ -	\$ (7,000)	\$ -	\$ -	\$ -
Government of Canada, AI Strategy	-	7,500	(87)	(5,723)	1,690	(1,690)	-
Government of British Columbia	1,694	4,000	-	(1,694)	4,000	(2,000)	2,000
Government of Ontario	-	4,000	-	(4,000)	-	-	-
Government of Alberta	300	300	-	(600)	-	-	-
Government of Quebec	56	775	-	(750)	81	(81)	-
	<u>2,050</u>	<u>9,075</u>	<u>-</u>	<u>(7,044)</u>	<u>4,081</u>	<u>(2,081)</u>	<u>2,000</u>
Total government funding	2,050	23,575	(87)	(19,767)	5,771	(3,771)	2,000
Partnerships	76	3,056	-	(2,888)	244	(244)	-
Private sector	<u>1,907</u>	<u>6,299</u>	<u>-</u>	<u>(6,120)</u>	<u>2,086</u>	<u>(1,693)</u>	<u>393</u>
	<b><u>\$ 4,033</u></b>	<b><u>\$ 32,930</u></b>	<b><u>\$ (87)</u></b>	<b><u>\$ (28,775)</u></b>	<b><u>\$ 8,101</u></b>	<b><u>\$ (5,708)</u></b>	<b><u>\$ 2,393</u></b>
Deferred tenant allowance	<b><u>\$ 403</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (42)</u></b>	<b><u>\$ 361</u></b>	<b><u>\$ (40)</u></b>	<b><u>\$ 321</u></b>
<b>2017</b>	<b><u>\$ 6,465</u></b>	<b><u>\$ 16,741</u></b>	<b><u>\$ (1,450)</u></b>	<b><u>\$ (17,723)</u></b>	<b><u>\$ 4,033</u></b>	<b><u>\$ (3,513)</u></b>	<b><u>\$ 520</u></b>
Deferred tenant allowance	<b><u>\$ -</u></b>	<b><u>\$ 403</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 403</u></b>	<b><u>\$ (40)</u></b>	<b><u>\$ 363</u></b>

**The Canadian Institute for Advanced Research -  
L'Institut Canadien de Recherches Avancées**  
**Notes to the Financial Statements**

(In thousands, unless otherwise noted)  
June 30, 2018

**7. Expenses**

	<u>2018</u>	<u>2017</u>
a) Knowledge creation		
Program activities		
<i>Building Strong Societies</i>		
Institutions, Organizations and Growth	\$ 833	\$ 851
Successful Societies	760	816
Social Interactions, Identity and Well-Being	47	777
	<u>1,640</u>	<u>2,444</u>
<i>Sustaining the Earth</i>		
Cosmology and Gravity	809	826
Integrated Microbial Biodiversity	168	674
	<u>977</u>	<u>1,500</u>
<i>Improving Human Health</i>		
Azrieli Program in Brain, Mind and Consciousness	1,634	881
Child and Brain Development	1,002	1,119
Humans and the Microbiome	886	720
Genetic Networks	678	664
Molecular Architecture of Life	657	579
	<u>4,857</u>	<u>3,963</u>
<i>Transforming Technology</i>		
Learning in Machines and Brains	1,211	1,035
Quantum Materials	1,134	1,113
Quantum Information Science	829	846
Bio-inspired Solar Energy	808	885
	<u>3,982</u>	<u>3,879</u>
	<b>11,456</b>	<b>11,786</b>
Programs, support	<u>3,705</u>	<u>4,287</u>
	<b>\$ 15,161</b>	<b>\$ 16,073</b>
(b) Next generation		
<i>CIFAR Azrieli Global Scholars Program</i>	\$ 2,058	\$ 1,128
<i>Global Scholars Academy</i>	192	157
	<u>2,250</u>	<u>1,285</u>
(c) Non-program expenses		
<i>Advancement</i>	\$ 1,916	\$ 1,566
<i>Governance and administration</i>	665	639
	<u>2,581</u>	<u>2,205</u>



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# The Canadian Institute for Advanced Research - L'Institut Canadien de Recherches Avancées

## Notes to the Financial Statements

(In thousands, unless otherwise noted)

June 30, 2018

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### 8. Allocation of expenses

President's office expenses and rent and overhead expenses of \$986 (2017 - \$746) and \$2,924 (2017 - \$2,719), respectively, have been allocated as follows:

	<u>President's office expenses</u>		<u>Rent and overhead</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Knowledge creation	\$ 493	\$ 261	\$ 896	\$ 1,117
Pan-Canadian AI Strategy	-	-	79	-
Knowledge mobilization & communications	296	187	747	713
Non-program expenses				
Governance and administration	-	149	717	461
Advancement	197	149	485	428
	<u>\$ 986</u>	<u>\$ 746</u>	<u>\$ 2,924</u>	<u>\$ 2,719</u>

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### 9. Commitments

CIFAR is committed to the rental of office premises until 2027 and equipment until 2019. Minimum annual payments are as follows:

2019	\$ 719
2020	704
2021	704
2022	718
2023	744
Subsequent years	2,730

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### 10. Financial instruments

Transactions in financial instruments may result in CIFAR assuming or transferring to another party one or more of the financial risks described below. There were no changes in the nature of risks from prior years.

#### Currency, interest rate and market risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. CIFAR operates and invests internationally giving rise to currency risk. Consequently, some assets and liabilities are exposed to foreign exchange fluctuations. As at June 30, 2018, cash and short-term deposits and investments denominated in U.S. currency amounted to \$2 USD (2017 - \$129 USD) and \$Nil (2017 - \$6,852 USD), respectively. Accounts payable denominated in U.S. currency amounted to \$680 USD (2017 - \$831 USD).

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# The Canadian Institute for Advanced Research - L'Institut Canadien de Recherches Avancées

## Notes to the Financial Statements

(In thousands, unless otherwise noted)  
June 30, 2018

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### 11. Financial instruments (continued)

#### Currency, interest rate and market risk (continued)

Interest rate price risk is the risk that the fair value of an interest bearing financial instrument will fluctuate due to changes in market interest rates. Interest rate cash flow risk is the risk that cash flows will fluctuate due to changes in market interest rates. CIFAR's exposure to interest rate price risk is limited to its fixed interest bearing investments of \$9 million (2017 - \$1,345). CIFAR's interest rate cash flow risk is limited to its variable interest bearing investments of \$Nil (2017 - \$2,428). CIFAR is exposed to certain market risks which cause the fair value of its investments to fluctuate.

To protect against currency, interest rate and market risk, management has developed an investment policy which requires investments to meet specific requirements. CIFAR's investment policy governs the investment decisions and is intended to mitigate currency, interest rate and market risk. As a result, it is management's opinion that CIFAR is not exposed to significant currency, interest rate and market risk arising from its financial instruments.

#### Credit risk

Credit risk is the risk that a counterparty will not be able to discharge its obligations to CIFAR. CIFAR reduces its exposure to credit risk by assessing credit on a regular basis and providing for an allowance for doubtful accounts when applicable. At June 30, 2018, the allowance for doubtful accounts is \$Nil (2017 - \$Nil). It is management's opinion that CIFAR is not exposed to significant credit risk given the nature of accounts receivable.

#### Liquidity risk

Liquidity risk is the risk that CIFAR will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. CIFAR is exposed to liquidity risk mainly in respect to accounts payable.

CIFAR manages its liquidity risk by forecasting cash flows from operations, investing and financing activities to ensure that it has sufficient funds available to meet current and foreseeable financial obligations. As a result, it is management's opinion that CIFAR is not exposed to significant liquidity risk arising from its financial instruments.

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### 11. Pension plan

Eligible employees of CIFAR are members of the University of Toronto's defined benefit pension plan. Accordingly, the information that would normally be required to be disclosed is not available. As a result, disclosure is limited to disclosing contributions to the plan. Cash contributions made during the year were \$387 (2017 - \$320).

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### 12. Comparative amounts

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2018 financial statements.