

Financial Statements of

**THE CANADIAN INSTITUTE FOR
ADVANCED RESEARCH -
L'INSTITUT CANADIEN DE
RECHERCHES AVANCÉES**

And Independent Auditors' Report thereon

Nine-month period from July 1, 2020 to March 31, 2021



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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of The Canadian Institute for Advanced Research - L'Institut Canadien de Recherches Avancées (the Entity), which comprise:

- the statement of financial position as at March 31, 2021
- the statement of operations for the nine-month period from July 1, 2020 to March 31, 2021
- the statement of changes in net assets for the nine-month period from July 1, 2020 to March 31, 2021
- the statement of cash flows for the nine-month period from July 1, 2020 to March 31, 2021
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2021, and its results of operations and its cash flows for the nine-month period from July 1, 2020 to March 31, 2021 in accordance with Canadian accounting standards for not-for-profit organizations.

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 "***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 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 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 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.



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- 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.
- 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 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

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 15, 2021

THE CANADIAN INSTITUTE FOR ADVANCED RESEARCH - L'INSTITUT CANADIEN DE RECHERCHES AVANCÉES

Statement of Financial Position
(In thousands of dollars)

March 31, 2021, with comparative information for June 30, 2020

	March 31, 2021	June 30, 2020
Assets		
Current assets:		
Cash	\$ 19,656	\$ 9,226
Accounts receivable (note 3)	1,959	6,850
Prepaid expenses	371	320
	<u>21,986</u>	<u>16,396</u>
Investments (note 4)	24,498	19,099
Property, equipment and leasehold improvements (note 5)	1,134	1,273
Intangible assets (note 5)	376	502
	<u>\$ 47,994</u>	<u>\$ 37,270</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 14,249	\$ 9,978
Deferred revenue (note 6)	6,212	5,844
Deferred tenant allowance (note 6)	40	40
	<u>20,501</u>	<u>15,862</u>
Deferred revenue (note 6)	3,499	1,771
Deferred tenant allowance (note 6)	210	240
	<u>24,210</u>	<u>17,873</u>
Net assets:		
Invested in property, equipment, leasehold improvements and intangible assets	1,260	1,495
Externally restricted endowment fund	500	500
Internally restricted reserve	11,000	10,000
Unrestricted	11,024	7,402
	<u>23,784</u>	<u>19,397</u>
Economic dependence (note 1)		
Commitments (note 9)		
	<u>\$ 47,994</u>	<u>\$ 37,270</u>

See accompanying notes to financial statements.

On behalf of the Board:

DocuSigned by:

Patricia Mendith Director

THE CANADIAN INSTITUTE FOR ADVANCED RESEARCH - L'INSTITUT CANADIEN DE RECHERCHES AVANCÉES

Statement of Operations
(In thousands of dollars)

Nine-month period from July 1, 2020 to March 31, 2021, with comparative information
for the year ended June 30, 2020

	March 31, 2021	June 30, 2020
Revenue:		
Program contributions (note 6):		
Government funding (note 3):		
Federal:		
Operational funding	\$ 6,500	\$ 7,550
Pan-Canadian AI Strategy	15,721	21,792
Provincial	1,000	3,362
	<u>23,221</u>	<u>32,704</u>
Partnerships:		
Research organizations	456	2,079
Universities and others	—	2
	<u>456</u>	<u>2,081</u>
Private sector:		
Corporations	890	562
Foundations	3,747	3,283
Individuals	1,003	1,067
	<u>5,640</u>	<u>4,912</u>
Investment income (note 4(b))	1,434	1,132
	<u>30,751</u>	<u>40,829</u>
Expenses:		
Program expenses:		
Knowledge creation (note 7(a))	8,021	11,409
Pan-Canadian AI Strategy (note 7(b))	16,030	22,117
Knowledge mobilization and communications	2,646	3,769
Next generation (note 7(c))	1,616	1,381
	<u>28,313</u>	<u>38,676</u>
Non-program expenses (note 7(d))	2,046	2,125
	<u>30,359</u>	<u>40,801</u>
Excess of revenue over expenses	392	28
Unrealized gain (loss) on investments	3,995	(1,416)
Excess (deficiency) of revenue over expenses	\$ 4,387	\$ (1,388)

See accompanying notes to financial statements.

THE CANADIAN INSTITUTE FOR ADVANCED RESEARCH - L'INSTITUT CANADIEN DE RECHERCHES AVANCÉES

Statement of Changes in Net Assets
(In thousands of dollars)

Nine-month period from July 1, 2020 to March 31, 2021, with comparative information
for the year ended June 30, 2020

					March 31, 2021	June 30, 2020
	Invested in property, equipment, leasehold improvements and intangible assets	Externally restricted endowment fund	Internally restricted reserve	Unrestricted	Total	Total
Balance, beginning of period	\$ 1,495	\$ 500	\$ 10,000	\$ 7,402	\$ 19,397	\$ 20,785
Excess (deficiency) of revenue over expenses	(263)	—	—	4,650	4,387	(1,388)
Transfers	—	—	1,000	(1,000)	—	—
Investment in property, equipment, leasehold improvements and intangible assets	28	—	—	(28)	—	—
Balance, end of period	\$ 1,260	\$ 500	\$ 11,000	\$ 11,024	\$ 23,784	\$ 19,397

See accompanying notes to financial statements.

THE CANADIAN INSTITUTE FOR ADVANCED RESEARCH - L'INSTITUT CANADIEN DE RECHERCHES AVANCÉES

Statement of Cash Flows (In thousands of dollars)

Nine-month period from July 1, 2020 to March 31, 2021, with comparative information for the year ended June 30, 2020

	March 31, 2021	June 30, 2020
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 4,387	\$ (1,388)
Items not involving cash:		
Amortization of property, equipment, leasehold improvements and intangible assets	293	397
Amortization of deferred tenant allowance	(30)	(41)
Deferred revenue recognized (note 6)	(29,317)	(39,697)
Unrealized loss (gain) on investments	(3,995)	1,416
	(28,662)	(39,313)
Change in non-cash operating working capital:		
Accounts receivable	4,891	(3,200)
Prepaid expenses	(51)	(86)
Accounts payable and accrued liabilities	4,271	1,856
Deferred revenue received (note 6)	31,413	40,895
	11,862	152
Investing activities:		
Proceeds on sale of investments, net	-	7,730
Purchase of investments	(1,404)	-
Investment in property, equipment, leasehold improvements and intangible assets	(28)	(314)
	(1,432)	7,416
Increase in cash	10,430	7,568
Cash, beginning of period	9,226	1,658
Cash, end of period	\$ 19,656	\$ 9,226

See accompanying notes to financial statements.

THE CANADIAN INSTITUTE FOR ADVANCED RESEARCH - L'INSTITUT CANADIEN DE RECHERCHES AVANCÉES

Notes to Financial Statements
(In thousands of dollars, unless otherwise noted)

Nine-month period from July 1, 2020 to March 31, 2021

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.

The fiscal year end has been changed to March 31, 2021 to better align with project and funding cycles.

2. Significant accounting policies:

(a) Basis of presentation:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook.

(b) Financial instruments:

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

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Notes to Financial Statements (continued)
(In thousands of dollars, unless otherwise noted)

Nine-month period from July 1, 2020 to March 31, 2021

2. Significant accounting policies (continued):

(i) Cash, accounts receivable and accounts payable:

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

(ii) Investments:

Investments deferred for future periods (note 4) represent externally restricted unspent funding received from federal and provincial governments, partnerships and the public and private sector. The investments (note 4) are held 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.

(c) Property, equipment and leasehold improvements:

Property, equipment and leasehold improvements are recorded at cost and are amortized on a straight-line basis over their estimated useful lives as follows:

Computer hardware	3 years
Leasehold improvements	Over remaining of the lease

(d) Intangible assets:

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

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Notes to Financial Statements (continued)
(In thousands of dollars, unless otherwise noted)

Nine-month period from July 1, 2020 to March 31, 2021

2. Significant accounting policies (continued):

(e) 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.

(f) 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.

(g) 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.

(h) Revenue recognition:

CIFAR follows the deferral method of accounting for contributions.

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

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Notes to Financial Statements (continued)
(In thousands of dollars, unless otherwise noted)

Nine-month period from July 1, 2020 to March 31, 2021

2. Significant accounting policies (continued):

Externally restricted contributions received are recorded as deferred revenue and recognized as revenue in the period in which the related expenses are incurred or in the period they are designated for.

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

(i) Contributed goods and services:

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

(j) 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 period for revenue and expenses. Unrealized translation gains and losses are recognized in the statement of operations.

(k) 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.

THE CANADIAN INSTITUTE FOR ADVANCED RESEARCH - L'INSTITUT CANADIEN DE RECHERCHES AVANCÉES

Notes to Financial Statements (continued)
(In thousands of dollars, unless otherwise noted)

Nine-month period from July 1, 2020 to March 31, 2021

3. Government funding:

(a) Government of Canada:

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 period, CIFAR recognized revenue of \$6.5 million (June 30, 2020 - \$7.5 million) under this agreement. An instalment of \$1.75 million (June 30, 2020 - \$1.75 million) for the period from April 1, 2021 to March 31, 2022 has been accrued at period end. As at March 31, 2021, \$31.25 million has been received or is receivable, \$29.75 million has been recognized and \$5.25 million remains to be recognized under this agreement.

In accordance with the funding agreement, CIFAR committed to seek additional financial contributions of \$35 million from non-federal sources over the term of the agreement which was met in fiscal 2020.

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 nine-year agreement with the department of Innovation, Science and Economic Development. During the period, CIFAR recognized revenue of \$15.7 million (June 30, 2020 - \$21.8 million). As at March 31, 2021, \$67.7 million has been received or is receivable, \$66.1 million has been recognized and \$58.9 million remains to be recognized under this agreement.

THE CANADIAN INSTITUTE FOR ADVANCED RESEARCH - L'INSTITUT CANADIEN DE RECHERCHES AVANCÉES

Notes to Financial Statements (continued)
(In thousands of dollars, unless otherwise noted)

Nine-month period from July 1, 2020 to March 31, 2021

3. Government funding (continued):

(b) Government of British Columbia:

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 period, CIFAR received and recognized nil (June 30, 2020 - \$2 million) in accordance with the restrictions under this agreement. As at March 31, 2021, all funding has been received and recognized under this agreement.

(c) Government of Alberta:

Effective March 2020, CIFAR entered into a two-year agreement with the Government of Alberta to receive funding of \$300 in one installment, restricted to certain programs and certain expenditures within these programs. During the period, CIFAR recognized revenue of nil (June 30, 2020 - nil) in accordance with the restrictions under this agreement. As at March 31, 2021, all funding has been received and \$300 remains to be recognized under this agreement.

(d) 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 period, CIFAR recognized revenue of nil (June 30, 2020 - \$156) in accordance with the restrictions under this agreement. As at March 31, 2021, all funding has been received and 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 period, CIFAR recognized revenue of \$600 (June 30, 2020 - \$600) in accordance with the restrictions under this agreement. As at March 31, 2021, \$2.4 million has been received or is receivable, \$2.4 million has been recognized and \$600 remains to be recognized under this agreement.

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Notes to Financial Statements (continued)
(In thousands of dollars, unless otherwise noted)

Nine-month period from July 1, 2020 to March 31, 2021

3. Government funding (continued):

Effective April 2018, CIFAR entered into a four-year agreement with the Government of Quebec to receive funding of \$1.6 million, in installments of \$400 per annum. During the period, CIFAR recognized revenue of \$400 (June 30, 2020 - \$400) in accordance with the restrictions under this agreement. As at March 31, 2021, \$1.2 million has been received or is receivable, \$1.2 million has been recognized and \$400 remains to be recognized under this agreement.

4. Investments:

				March 31, 2021	June 30, 2020
	Deferred for future periods	Externally restricted endowment fund	Internally restricted	Total	Total
Long-term equity portfolio	\$ 12,998	\$ 500	\$ 11,000	\$ 24,498	\$ 19,099

(a) As at March 31, 2021, the investments deferred for future periods represent funds received from the private and public sector and partnerships that have been deferred in accordance with the various agreements held with the donors.

(b) Interest income realized on GICs and short-term deposits of nil (June 30, 2020 - \$343) has been included in investment income for the period.

Investment income realized on the long-term equity portfolio of \$1.4 million (June 30, 2020 - \$789) has been included in investment income for the period.

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Notes to Financial Statements (continued)
(In thousands of dollars, unless otherwise noted)

Nine-month period from July 1, 2020 to March 31, 2021

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

Property, equipment and leasehold improvements:

			March 31, 2021	June 30, 2020
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware	\$ 59	\$ 30	\$ 29	\$ 23
Leasehold improvements	1,863	758	1,105	1,250
	<u>\$ 1,922</u>	<u>\$ 788</u>	<u>\$ 1,134</u>	<u>\$ 1,273</u>

Intangible assets:

			March 31, 2021	June 30, 2020
	Cost	Accumulated amortization	Net book value	Net book value
Software	\$ 809	\$ 433	\$ 376	\$ 502

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Notes to Financial Statements (continued)
(In thousands of dollars, unless otherwise noted)

Nine-month period from July 1, 2020 to March 31, 2021

6. Deferred revenue and deferred tenant allowance:

	Deferred revenue, beginning of period	Received or receivable during the period	Less amounts accrued in previous periods	Recognized as revenue	Deferred revenue, end of period	Less current portion	Deferred revenue, long-term portion
March 31, 2021:							
Government of Canada	\$ 1,000	\$ 8,750	\$ (1,750)	\$ (6,500)	\$ 1,500	\$ (1,500)	\$ –
Government of Canada, AI Strategy	–	21,565	(4,265)	(15,721)	1,579	(1,579)	–
Government of Ontario	–	185	(185)	–	–	–	–
Government of Alberta	300	–	–	–	300	(300)	–
Government of Quebec	200	800	–	(1,000)	–	–	–
Total government fund	1,500	31,300	(6,200)	(23,221)	3,379	(3,379)	–
Partnerships	579	677	(364)	(456)	436	(436)	–
Private sector	5,536	6,000	–	(5,640)	5,896	(2,397)	3,499
	<u>\$ 7,615</u>	<u>\$ 37,977</u>	<u>\$ (6,564)</u>	<u>\$ (29,317)</u>	<u>\$ 9,711</u>	<u>\$ (6,212)</u>	<u>\$ 3,499</u>
Deferred tenant allowance	\$ 280	\$ –	\$ –	\$ (30)	\$ 250	\$ (40)	\$ 210
June 30, 2020:							
Deferred tenant allowance	\$ 321	\$ –	\$ –	\$ (41)	\$ 280	\$ (40)	\$ 240

THE CANADIAN INSTITUTE FOR ADVANCED RESEARCH - L'INSTITUT CANADIEN DE RECHERCHES AVANCÉES

Notes to Financial Statements (continued)
(In thousands of dollars, unless otherwise noted)

Nine-month period from July 1, 2020 to March 31, 2021

7. Expenses:

(a) Knowledge creation - Program activities:

	March 31, 2021	June 30, 2020
Life & Health:		
Fungal Kingdom: Threats & Opportunities	\$ 474	\$ 641
Genetic Networks	34	(2)
Humans and the Microbiome	496	814
Molecular Architecture of Life	—	541
	<u>1,004</u>	<u>1,994</u>
Individuals & Society:		
Brain, Mind and Consciousness	752	1,239
Boundaries, Membership and Belonging	420	528
Child and Brain Development	594	681
Innovation, Equity & the Future of Prosperity	460	482
Institutions, Organizations and Growth	—	68
Successful Societies	1	57
	<u>2,227</u>	<u>3,055</u>
Earth & Space:		
Earth 4D: Subsurface Science & Exploration	378	477
Gravity & the Extreme Universe	511	753
	<u>889</u>	<u>1,230</u>
Information & Matter:		
Bio-inspired Solar Energy	403	589
Learning in Machines and Brains	440	743
Quantum Information Science	344	502
Quantum Materials	547	646
	<u>1,734</u>	<u>2,480</u>
	<u>5,854</u>	<u>8,759</u>
Programs, support	2,167	2,650
	<u>\$ 8,021</u>	<u>\$ 11,409</u>

THE CANADIAN INSTITUTE FOR ADVANCED RESEARCH - L'INSTITUT CANADIEN DE RECHERCHES AVANCÉES

Notes to Financial Statements (continued)
(In thousands of dollars, unless otherwise noted)

Nine-month period from July 1, 2020 to March 31, 2021

7. Expenses (continued):

(b) Pan-Canadian AI Strategy:

	March 31, 2021	June 30, 2020
Chairs Program	\$ 9,896	\$ 11,865
Institution Support	4,544	8,265
National Activities	512	374
AI Secretariat	1,038	1,189
AI & Society	40	424
	\$ 16,030	\$ 22,117

(c) Next generation:

	March 31, 2021	June 30, 2020
CIFAR Azrieli Global Scholars Program	\$ 1,593	\$ 1,355
Global Scholars Academy	23	26
	\$ 1,616	\$ 1,381

(d) Non-program expenses:

	March 31, 2021	June 30, 2020
Advancement	\$ 1,205	\$ 1,112
Governance and administration	841	1,013
	\$ 2,046	\$ 2,125

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Notes to Financial Statements (continued)
(In thousands of dollars, unless otherwise noted)

Nine-month period from July 1, 2020 to March 31, 2021

8. Allocation of expenses:

President's office expenses and rent and overhead expenses of \$685 (June 30, 2020 - \$844) and \$2,963 (June 30, 2020 - \$3,425), respectively, have been allocated as follows:

	President's office expense		Rent and overhead	
	March 31, 2021	June 30, 2020	March 31, 2021	June 30, 2020
Knowledge creation	\$ 343	\$ 422	\$ 530	\$ 598
Pan-Canadian AI Strategy	–	–	152	168
Knowledge mobilization and communications	205	253	1,031	1,319
Non-program expenses:				
Advancement	137	169	375	294
Governance and administration	–	–	875	1,046
	\$ 685	\$ 844	\$ 2,963	\$ 3,425

9. Commitments:

CIFAR is committed to the rental of office premises until 2027 and equipment until 2022. Minimum annual payments are as follows:

2022	\$ 384
2023	409
2024	403
2025	403
2026	403
Thereafter	370

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Notes to Financial Statements (continued)
(In thousands of dollars, unless otherwise noted)

Nine-month period from July 1, 2020 to March 31, 2021

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.

The following risks have remained consistent with the prior period.

(a) 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 March 31, 2021, cash and short-term deposits and investments denominated in U.S. currency amounted to USD \$22 (June 30, 2020 - USD \$19) and USD nil (June 30, 2020 - USD nil), respectively. Accounts payable denominated in U.S. currency amounted to USD \$299 (June 30, 2020 - USD \$516). Accounts payable denominated in EUR currency amount to EUR 208 (June 30, 2020 - EUR 207).

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 nil (June 30, 2020 - nil). CIFAR's interest rate cash flow risk is limited to its variable interest bearing investments of nil (June 30, 2020 - nil). 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.

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Notes to Financial Statements (continued)
(In thousands of dollars, unless otherwise noted)

Nine-month period from July 1, 2020 to March 31, 2021

10. Financial instruments (continued):

(b) 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 March 31, 2021, the allowance for doubtful accounts is nil (June 30, 2020 - nil). It is management's opinion that CIFAR is not exposed to significant credit risk given the nature of accounts receivable.

(c) 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 and accrued liabilities.

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.

(d) COVID-19 pandemic:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on CIFAR is not known at this time. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may have a direct impact on the results and financial position of CIFAR in the future.

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 period were \$426 (June 30, 2020 - \$519).