

# The Banting Research Foundation

**Financial statements**  
**June 30, 2019**



## Independent auditor's report

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

### Opinion

We have audited the financial statements of **The Banting Research Foundation** [the "Foundation"], which comprise the statement of financial position as at June 30, 2019 and the statement of revenue and expenses and changes in fund balances and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at June 30, 2019, 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.

### 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 *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Foundation 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.

### Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### 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 generally accepted 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.



### **Auditor's 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 auditor's 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 these 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.
- 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 Foundation'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 Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Foundation 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.

We 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.

*Ernst & Young LLP*

Toronto, Canada  
November 7, 2019

Chartered Professional Accountants  
Licensed Public Accountants



The Banting Research Foundation

Statement of financial position

As at June 30

	2019	2018
	\$	\$
<b>Assets</b>		
Cash and cash equivalents	37,235	23,849
HST recoverable	5,394	6,297
Investments, at fair value <i>[note 3]</i>	4,729,501	4,670,922
Artwork	60,000	60,000
	<u>4,832,130</u>	<u>4,761,068</u>
<b>Liabilities and fund balances</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	7,882	10,770
<b>Total liabilities</b>	<u>7,882</u>	<u>10,770</u>
Commitment <i>[note 7]</i>		
<b>Fund balances</b>		
General Fund	792,947	829,723
Restricted Fund	37,500	12,500
Endowment Fund <i>[note 5]</i>	3,993,801	3,908,075
<b>Total fund balances</b>	<u>4,824,248</u>	<u>4,750,298</u>
	<u>4,832,130</u>	<u>4,761,068</u>

See accompanying notes

On behalf of the Board:

Trustee



Trustee



The Banting Research Foundation

Statement of revenue and expenses and changes in fund balances

As at June 30

	General Fund		Restricted Fund		Endowment Fund		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>								
Investment income, net [note 6]	195,720	308,883	—	—	85,726	151,957	281,446	460,840
Donations	68,773	26,239	37,500	37,500	—	—	106,273	63,739
Contribution of artwork	—	60,000	—	—	—	—	—	60,000
	<b>264,493</b>	<b>395,122</b>	<b>37,500</b>	<b>37,500</b>	<b>85,726</b>	<b>151,957</b>	<b>387,719</b>	<b>584,579</b>
<b>Expenses</b>								
Grants awarded to new investigators	212,500	124,565	12,500	25,000	—	—	225,000	149,565
Academic grants	7,500	9,500	—	—	—	—	7,500	9,500
Professional fees	57,087	75,932	—	—	—	—	57,087	75,932
Office, general and administrative	12,879	8,793	—	—	—	—	12,879	8,793
Accounting and audit fees [note 4]	11,303	11,164	—	—	—	—	11,303	11,164
	<b>301,269</b>	<b>229,954</b>	<b>12,500</b>	<b>25,000</b>	<b>—</b>	<b>—</b>	<b>313,769</b>	<b>254,954</b>
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>(36,776)</b>	<b>165,168</b>	<b>25,000</b>	<b>12,500</b>	<b>85,726</b>	<b>151,957</b>	<b>73,950</b>	<b>329,625</b>
Fund balances, beginning of year	829,723	664,555	12,500	—	3,908,075	3,756,118	4,750,298	4,420,673
<b>Fund balances, end of year</b>	<b>792,947</b>	<b>829,723</b>	<b>37,500</b>	<b>12,500</b>	<b>3,993,801</b>	<b>3,908,075</b>	<b>4,824,248</b>	<b>4,750,298</b>

See accompanying notes

## The Banting Research Foundation

### Statement of cash flows

Year ended June 30

	2019	2018
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses for the year	73,950	329,625
Deduct non-cash items		
Realized gain on sale of investments	(65,540)	(126,622)
Increase in unrealized gain	(50,387)	(175,357)
Contribution of artwork	—	(60,000)
Changes in non-cash working capital balances related to operations		
Decrease (increase) in HST recoverable	903	(5)
Decrease in accounts payable and accrued liabilities	(2,888)	(6,557)
<b>Cash used in operating activities</b>	<u>(43,962)</u>	<u>(38,916)</u>
<b>Investing activities</b>		
Proceeds on sale of investments, net	57,348	33,977
<b>Cash provided by investing activities</b>	<u>57,348</u>	<u>33,977</u>
<b>Net increase (decrease) in cash during the year</b>	13,386	(4,939)
Cash and cash equivalents, beginning of year	23,849	28,788
<b>Cash and cash equivalents, end of year</b>	<u>37,235</u>	<u>23,849</u>

See accompanying notes

# The Banting Research Foundation

## Notes to financial statements

June 30, 2019

### 1. Description of organization

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

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

### 2. Summary of significant accounting policies

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

#### Fund accounting

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

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

#### *General Fund*

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

#### *Restricted Fund*

The Restricted Fund accounts for the resources with restrictions required by the donor or the Board with respect to the purpose of the funds or when the funds can be spent. The Restricted Fund reports, as revenue and expenses, the receipt and the use of funds restricted by donors.

#### *Endowment Fund*

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

#### Cash and cash equivalents

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

## **The Banting Research Foundation**

### **Notes to financial statements**

June 30, 2019

#### **Financial instruments**

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

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

All investment transactions are recorded on the trade date.

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

#### **Artwork**

Donated artwork is recorded at an appraised value established by an independent appraisal in the year received by the Foundation. These assets are considered to have a permanent value and are not amortized, but are assessed annually for indicators of impairment.

#### **Revenue recognition**

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

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

#### **Grants**

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

#### **Contributed materials and services**

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



## The Banting Research Foundation

### Notes to financial statements

June 30, 2019

#### 3. Investments

Investments, at fair value, consist of the following:

	2019	2018
	\$	\$
Cash	18,149	13,049
Phillips, Hager & North Canadian Money Market Fund	—	88,308
Phillips, Hager & North Bond Fund	652,839	613,590
Phillips, Hager & North Mortgage Pension Trust Fund	706,613	622,688
Phillips, Hager & North Canadian Equity Value Fund	707,910	717,090
RBC Qube Low Volatile Canadian Equity Fund	705,298	710,494
RBC Emerging Markets Equity Fund	238,001	219,911
RBC Global Equity Focus Fund	1,700,691	1,685,792
	<b>4,729,501</b>	<b>4,670,922</b>

The asset mix of investments is as follows:

	2019	2018
	%	%
Cash and cash equivalents	0.4	2.2
Canadian fixed income	28.7	26.4
<b>Total cash and cash equivalents and fixed income</b>	<b>29.1</b>	<b>28.6</b>
Canadian equities	29.9	30.6
Global equities	41.0	40.8
<b>Total equities</b>	<b>70.9</b>	<b>71.4</b>
	<b>100.0</b>	<b>100.0</b>

#### 4. Related party transactions

The University of Toronto [the "University"] provides facilities to the Foundation for which no rent is paid. In addition, the University provides accounting services for a fee of \$4,200 [2018 – \$4,200]. In the event of dissolution of the Foundation, all of its remaining assets [after the payment of debts and liabilities] would be distributed to the University to form part of its Connaught Fund.

## The Banting Research Foundation

### Notes to financial statements

June 30, 2019

#### 5. Endowment Fund

The Endowment Fund consists of the following:

	2019 \$	2018 \$
Externally restricted by the donor	1,692,987	1,607,261
Internally restricted by the Board	2,300,814	2,300,814
	<u>3,993,801</u>	<u>3,908,075</u>

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

#### 6. Investment income, net

Investment income, net, consists of the following:

	2019 \$	2018 \$
Distributed income reinvested in pooled funds		
Interest and dividends	105,915	101,152
Capital gain distribution	92,501	90,270
Realized gain on sale of investments	65,540	126,622
Increase in unrealized gain	50,387	175,357
Investment management fees	(32,897)	(32,561)
	<u>281,446</u>	<u>460,840</u>

Investment income is allocated to the funds as follows:

	2019 \$	2018 \$
Total investment income reported above	281,446	460,840
Deduct 41.13% [2018 – 38.74%] of the realized gain and increase in unrealized gain allocated to the Endowment Fund	(85,726)	(151,957)
<b>Investment gain allocated to the General Fund</b>	<u>195,720</u>	<u>308,883</u>

## **The Banting Research Foundation**

### **Notes to financial statements**

June 30, 2019

#### **7. Commitment**

The Foundation has committed to grant awards to new investigators totalling \$164,152 in the next fiscal year.

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

##### **Currency risk**

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

##### **Credit risk**

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

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

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

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

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