



Financial Statements

MEOPAR Incorporated

March 31, 2016

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Independent auditor's report

Grant Thornton LLP
Suite 1100
2000 Barrington Street
Halifax, NS
B3J 3K1
T (902) 421-1734
F (902) 420-1068
www.GrantThornton.ca

To the Board of Directors of MEOPAR Incorporated

We have audited the accompanying financial statements of **MEOPAR Incorporated**, which comprise the statement of financial position as at March 31, 2016, and the statements of operations and 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 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 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 MEOPAR Incorporated as at March 31, 2016, and the results of its operations for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Halifax, Canada
September 28, 2016



Chartered Professional Accountants

MEOPAR Incorporated

Statements of operations and changes in net assets

Year ended March 31	2016	2015
Revenue		
Government assistance – Natural Sciences and Engineering Research Council of Canada (NSERC)	\$ 7,242,584	\$ 6,641,053
Partnership	203,300	57,600
Other	4,914	10,061
	7,450,798	6,708,714
Grants		
Research	4,537,765	4,397,580
Early career	570,863	583,308
Partnership	873,344	352,421
	5,981,972	5,333,309
Excess revenue over grants	1,468,826	1,375,405
Expenses		
Board insurance	15,200	13,851
Contract personnel	-	6,403
Depreciation	3,079	15,360
Marketing and communications	69,492	93,494
Meetings and receptions	14,626	13,427
Miscellaneous	4,992	4,959
Office supplies and administration	41,704	31,121
Outreach and events	32,873	33,372
Printing and publications	1,776	9,537
Professional fees	65,812	28,157
Research management	101,801	62,560
Salaries and benefits	596,105	585,799
Training and knowledge mobilization	403,940	337,440
Travel	108,984	110,032
	1,460,384	1,345,512
Excess of revenue over expenses	\$ 8,442	\$ 29,893
<hr style="border: 1px solid black;"/>		
Net assets, beginning of year	\$ 29,893	\$ -
Excess of revenue over expenses	8,442	29,893
Net assets, end of year	\$ 38,335	\$ 29,893

See accompanying notes to the financial statements.

MEOPAR Incorporated
Statement of financial position

March 31	2016	2015
Assets		
Current		
Cash and cash equivalents	\$ 94,151	\$ 44,603
Accounts receivable	20,000	-
Receivable from Dalhousie University (Note 6)	2,256,654	4,394,175
HST receivable	<u>32,552</u>	<u>40,579</u>
	2,403,357	4,479,357
Capital assets (Note 3)	<u>-</u>	<u>3,079</u>
	\$ 2,403,357	\$ 4,482,436
Liabilities		
Current		
Payables and accruals	\$ -	\$ 129,637
Deferred revenue (Note 4)	<u>2,365,022</u>	<u>4,322,906</u>
	2,365,022	4,452,543
Net assets		
Unrestricted net assets	<u>38,335</u>	<u>29,893</u>
	\$ 2,403,357	\$ 4,482,436

Commitments (Note 5)

On behalf of the Board



Director

See accompanying notes to the financial statements.

MEOPAR Incorporated

Statement of cash flows

March 31

2016

2015

Increase (decrease) in cash and cash equivalents

Operating		
Excess of revenue over expenses	\$ 8,442	\$ 29,893
Amortization of capital assets	<u>3,079</u>	<u>15,360</u>
	11,521	45,253
Change in non-cash operating working capital		
Receivable from Dalhousie University	2,137,521	1,781,784
Receivables	(20,000)	-
HST receivable	8,027	(25,871)
Payables and accruals	(129,637)	102,648
Deferred revenue	<u>(1,957,884)</u>	<u>(1,853,053)</u>
	49,548	50,761
Investing		
Purchase of capital assets	<u>-</u>	<u>(6,158)</u>
Net increase in cash and cash equivalents	49,548	44,603
Cash and cash equivalents		
Beginning of year	<u>44,603</u>	<u>-</u>
End of year	<u>\$ 94,151</u>	<u>\$ 44,603</u>

See accompanying notes to the financial statements.

MEOPAR Incorporated

Notes to the financial statements

March 31, 2016

1. Authority and purpose

The Organization was incorporated on February 17, 2012 under the Canada Corporations Act – Part II – as an income tax exempt not-for-profit Organization. The Organization provides funding to develop knowledge, tools, technology and highly qualified people through collaborative research.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”).

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks and other institutions and term deposits with maturities of three months or less.

Based on the funding agreement between the Natural Sciences and Engineering Research Council (“NSERC”), the Social Sciences and Humanities Research Council (“SSHRC”) and MEOPAR Incorporated, grant funds are considered restricted and are to be held in trust and administered by Dalhousie University, the Network’s host institution. Other funds are administered by the Network and are considered unrestricted cash. Unrestricted cash is held in a separate bank account.

Revenue recognition

The Organization follows the deferral method of accounting for contributions, which include government grants.

Contributions which have external restrictions governing the types of activities they can be used to fund are deferred until related spending on these activities is incurred.

Restricted contributions for the purchase of capital assets that will be amortized are deferred and recognized as revenue at the same rate of amortization as the related acquired capital assets.

Unrestricted contributions are recorded as revenue when received or receivable, provided the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributed materials and services

Contributed materials and services are recognized at their fair value in the financial statements when the amount can be reasonably estimated and when the materials and services used in the normal course of the Organization’s operations and would otherwise have been purchased.

MEOPAR Incorporated

Notes to the financial statements

March 31, 2016

2. Summary of significant accounting policies (continued)

Capital assets

Capital assets are recorded at cost. Depreciation is provided on the straight-line basis over their estimated useful lives as follows:

Computer hardware	2 years
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When a capital asset no longer has any long-term service potential to the Organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of revenues, expenses, and net assets. Any write-downs recognized are not reversed.

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to net income as appropriate in the year they become known.

Financial Instruments

Initial measurement

The Organization's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Subsequent measurement

At each reporting date, the Organization measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets). The financial instruments measured at amortized cost are cash and cash equivalents, receivable from Dalhousie University, HST receivable and Payables and accruals.

For financial assets measured at cost or amortized cost, the Organization regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Organization determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset; it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's main credit risks relate to its accounts receivable. The entity provides credit to Dalhousie University in the normal course of its operations. There was no significant change in exposure from the prior year.

MEOPAR Incorporated

Notes to the financial statements

March 31, 2016

2. Summary of significant accounting policies (continued)

Financial Instruments (continued)

Liquidity risk

The Association's liquidity risk represents the risk that the Organization could encounter difficulty in meeting obligations associated with its financial liabilities. The Association is, therefore, exposed to liquidity risk with respect to its debt.

The Association is not exposed to significant interest, market or currency risk.

Employee Future Benefits

MEOPAR's staff are eligible to join the Dalhousie Grant Paid and Associated Employees' pension plan. MEOPAR's contribution for staff is approximately 5% of salary. MEOPAR records contributions to this plan as expenditures in the year the contributions are made. Contributions to the plan made during the year amounted to \$25,813 (2015 - \$nil).

3. Capital assets	2016		2015	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Computer hardware	\$ 35,417	\$ 35,417	\$ -	\$ 3,079

4. Deferred revenue	2016	2015
Balance – beginning of year	\$ 4,322,906	\$ 6,175,959
Contributions received from NSERC	5,258,000	4,788,000
Contributions received from Irving Shipbuilding Inc.	200,000	-
Contributions receivable from Lloyd's Register	20,000	-
Less: amounts recognized as revenue in year	(7,435,884)	(6,641,053)
Balance – end of year	\$ 2,365,022	\$ 4,322,906

5. Commitments

The Organization has committed to provide funding to participating institutions to be paid in the following years as follows:

2017	\$ 4,177,070
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Under the terms of the NSERC agreement, funding at the current level will be completed by March 2017 (as further disclosed in Note 6).

MEOPAR Incorporated

Notes to the financial statements

March 31, 2016

6. Related party transactions and economic dependence

Grants from NCE

In 2012, the Natural Sciences and Engineering Research Council (“NSERC”) and the Social Sciences and Humanities Research Council (“SSHRC”) agreed to contribute funding of \$24,997,535 to the Organization for the five years ending on March 31, 2017. These contributions were received as follows except for the 2016-17 contributions which are not yet completely received.

Fiscal Year	
2011-2012	\$ 2,065,500
2012-2013	3,929,000
2013-2014	5,457,000
2014-2015	4,788,000
2015-2016	5,258,000
2016-2017	<u>3,500,035</u>
Total Grant	<u>\$ 24,997,535</u>

The annual contributions will be released subject to:

- Parliamentary appropriation of the funds in each fiscal period;
- Satisfactory progress, as determined by the NCE Secretariat, towards predetermined milestones for the NCE Network;
- Continuing eligibility of the NCE Network Host and the NCE Network; and
- Compliance with the terms of the funding agreement.

On June 30, 2016, MEOPAR Incorporated submitted a renewal application for a second cycle of funding to the NCE for \$28,500,000 over a 5 year period. Results of this application will be released in the fall of 2016.

These financial statements include only the contributions received by MEOPAR Incorporated from the NCE program, its host institution and others, and disbursed on its behalf. MEOPAR Incorporated may not be able to maintain its current level of operations should the funding be significantly reduced or ended.

Grants from host institution

The Organization is related to Dalhousie University by virtue of the fact that the University is its host institution under the Networks of Centres of Excellence program.

Under an agreement between the Organization and the host institution, the University provides accounting and administrative support services as well as office space without charge to the Organization. The value of the in-kind contributions received by means of services, equipment and facilities in fiscal 2016 is estimated by Dalhousie to be \$66,000 (2015 – \$55,000). These contributions have not been recognized in the financial statements.

Receivable from Dalhousie University represents government contributions received, which are subject to NSERC eligibility requirements. The cash is held in trust by Dalhousie University in accordance with the Host Agreement.