



Financial Statements

MEOPAR Incorporated

March 31, 2020

Contents

	Page
Independent auditor's report	1-2
Statements of operations and changes in net assets	3
Statement of financial position	4
Statement of cash flows	5
Notes to the financial statements	6-9

Independent auditor's report

Grant Thornton LLP
Suite 1000, Nova Centre, North Tower
1675 Grafton Street
Halifax, NS
B3J 0E9
T +1 902 421 1734
F +1 902 420 1068

To the Board of Directors of
MEOPAR Incorporated

Opinion

We have audited the financial statements of MEOPAR Inc. (the "Network"), which comprise the statement of financial position as at March 31, 2020 and the statements of operations, changes in net assets and 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 MEOPAR Inc. as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 Network 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 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.

In preparing the financial statements, management is responsible for assessing the Network'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 Network or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Network'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 Network'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 Network'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 Network 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Halifax, Canada
June 26, 2020

Chartered Professional Accountants

MEOPAR Incorporated**Statements of operations and changes in net assets**

Year ended March 31

2020

2019

Revenue		
Government assistance – NSERC and SSHRC	\$ 6,139,065	\$ 5,775,151
Partnership	776,131	878,547
Other	32,123	34,464
	<u>6,947,319</u>	<u>6,688,162</u>
Grants		
Research	2,855,135	3,291,378
Partnership	1,239,526	1,266,961
Joint research and development	1,403,304	601,748
	<u>5,497,965</u>	<u>5,160,087</u>
Excess revenue over grants	<u>1,449,354</u>	<u>1,528,075</u>
Expenses		
Program Expenses		
Communications and networking	112,921	228,197
Knowledge mobilization	69,122	118,780
Research programs	89,606	90,771
Training programs	474,106	333,383
	<u>745,755</u>	<u>771,131</u>
Administrative		
Operations and management	175,308	179,543
Salaries	503,827	546,408
	<u>679,135</u>	<u>725,951</u>
	<u>1,424,890</u>	<u>1,497,082</u>
Excess of revenue over expenses	<u>\$ 24,464</u>	<u>\$ 30,993</u>
Net assets, beginning of year	\$ 73,091	\$ 42,098
Excess of revenue over expenses	<u>24,464</u>	<u>30,993</u>
Net assets, end of year	<u>\$ 97,555</u>	<u>\$ 73,091</u>

See accompanying notes to the financial statements.

MEOPAR Incorporated

Statement of financial position

March 31

2020

2019

Assets

Current

Cash and cash equivalents	\$ 570,081	\$ 928,601
Receivables	27,122	61,394
Funds held in trust by Dalhousie University (Note 5)	1,285,344	2,528,250
HST receivable	4,227	12,578
Prepaid expenses	<u>4,955</u>	<u>6,895</u>
	<u>\$ 1,891,729</u>	<u>\$ 3,537,718</u>

Liabilities

Current

Payables and accruals	\$ 35,174	\$ 30,615
Deferred revenue (Note 3)	<u>1,759,000</u>	<u>3,434,012</u>
	<u>1,794,174</u>	<u>3,464,627</u>

Net assets

Unrestricted net assets	<u>97,555</u>	<u>73,091</u>
	<u>\$ 1,891,729</u>	<u>\$ 3,537,718</u>

Commitments (Note 4)

On behalf of the Board



Director

See accompanying notes to the financial statements.

MEOPAR Incorporated

Statement of cash flows

March 31 2020 2019

Increase (decrease) in cash and cash equivalents

Operating

Excess of revenue over expenses	\$ 24,464	\$ 30,993
Change in non-cash operating working capital		
Receivables	34,272	(18,157)
Funds held in trust by Dalhousie University	1,242,906	2,109,703
HST receivable	8,351	(8,806)
Prepaid expenses	1,940	(6,895)
Payables and accruals	4,559	(3,985)
Deferred revenue	<u>(1,675,012)</u>	<u>(2,470,199)</u>

Decrease in cash and cash equivalents (358,520) (367,346)

Cash and cash equivalents

Beginning of year	<u>928,601</u>	<u>1,295,947</u>
End of year	<u>\$ 570,081</u>	<u>\$ 928,601</u>

See accompanying notes to the financial statements.

MEOPAR Incorporated

Notes to the financial statements

March 31, 2020

1. Authority and purpose

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

On December 6, 2018, the federal government of Canada announced that the Networks of Centres of Excellence (“NCE”) program would be phased out. At this time, the Network’s grant from the NCE will come to an end and the organization may be wound up, unless other funding sources are secured. As a result of COVID-19, the NCE Secretariat offered a one-year no cost extension to the Network’s current grant recognizing that more time might be needed to deliver on objectives. The offer was made well in advance of the normal timing for no-cost extension requests in order to provide the Network with maximum planning flexibility. The grant will now end on March 31, 2023.

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.

Funds held in trust by Dalhousie University

Based on the funding agreement between the Natural Sciences and Engineering Research Council (“NSERC”), the Social Sciences and Humanities Research Council (“SSHRC”) and the Network, 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.

Revenue recognition

The Network 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.

MEOPAR Incorporated

Notes to the financial statements

March 31, 2020

2. Summary of significant accounting policies (continued)

Contributed materials and services

Contributed materials and services are disclosed 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 Network's operations would otherwise have been purchased.

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.

Significant management estimates relate to deferred revenue. These estimates are reviewed periodically and adjustments are recognized in the statement of operations as appropriate in the year they become known.

Financial instruments

Initial measurement

The Network'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 Network 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, receivables, funds held in trust by Dalhousie University, HST receivable, payables and accruals and deferred revenue.

For financial assets measured at cost or amortized cost, the Network regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Network 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 Network's main credit risks relate to its receivables. The Network mitigates credit risk by regularly reviewing collectability of receivables. There was no significant change in exposure from the prior year.

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

MEOPAR Incorporated

Notes to the financial statements

March 31, 2020

2. Summary of significant accounting policies (continued)

Employee future benefits

The Network's staff are eligible to join the Dalhousie Grant Paid and Associated Employees' pension plan. Contributions for staff are approximately 5% of salary. The Network records contributions to this plan as expenditures in the year the contributions are made. Contributions to the plan made during the year amounted to \$12,445 (2019 - \$15,939).

3. Deferred revenue	2020	2019
Balance beginning of year – NSERC and SSHRC	\$ 2,687,559	\$ 4,766,211
Contributions received from NSERC and SSHRC	4,866,000	3,696,499
NSERC and SSHRC revenue recognized	(6,139,066)	(5,775,151)
Balance end of year – NSERC and SSHRC	<u>1,414,493</u>	<u>2,687,559</u>
Balance beginning of year – Partnerships	746,453	1,138,000
Contributions received from Partnerships	374,185	487,000
Partnership revenue recognized	(776,131)	(878,547)
Balance end of year – Partnerships	<u>344,507</u>	<u>746,453</u>
Total unearned revenue	<u>\$ 1,759,000</u>	<u>\$ 3,434,012</u>

4. Commitments

The Network and other partnerships have committed to provide funding to participating institutions to be paid in the following years as follows:

2021	\$ 4,244,299
2022	1,793,554

Under the terms of the NSERC and SSHRC agreement, funding at the current level will be completed by March 2022 (as further disclosed in Note 5).

5. Related party transactions and economic dependence

Grants from NCE

In 2017, NSERC and SSHRC agreed to contribute funding of \$28,527,978 to the Network over a five year period. The current funding schedule has been presented below:

Fiscal Year	
2017-2018	\$ 9,114,884
2018-2019	3,696,498
2019-2020	4,866,000
2020-2021	6,562,000
2021-2022	<u>4,288,596</u>
Total Grant	<u>\$ 28,527,978</u>

MEOPAR Incorporated

Notes to the financial statements

March 31, 2020

5. Related party transactions and economic dependence (continued)

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.

These financial statements include only the contributions received by the Network from the NCE program, its host institution and others, and disbursed on its behalf.

Grants from host institution

The Network 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 a Host Agreement between the Network and the host institution, the University provides accounting and administrative support services as well as office space without charge to the Network. The value of the in-kind contributions received by means of services, equipment and facilities in fiscal 2020 is estimated by Dalhousie to be \$163,500 (2019 – \$163,500). These contributions have not been recognized in the financial statements.

Funds held in trust by Dalhousie University represents government contributions received, which are subject to NSERC and SSHRC eligibility requirements. The amount is held in accordance with the Host Agreement.

6. Impacts of COVID-19

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Network has not been significantly impacted by COVID-19. However, due to travel restrictions, spending has been reduced in various programs as events have been deferred or cancelled. Management is working with each research project to understand the impact of COVID-19 on the individual project deliverables and budgets and may adjust the release of award payments to coincide with a revised project budget. In addition, the NCE Secretariat offered a one-year no cost extension to the Network's current grant recognizing that more time might be needed to deliver on objectives. The grant will now end on March 31, 2023.