

Consolidated Financial Statements of

ONTARIO GENOMICS INSTITUTE

Year ended March 31, 2022

ONTARIO GENOMICS INSTITUTE

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Ontario Genomics Institute

Opinion

We have audited the consolidated financial statements of Ontario Genomics Institute (the Entity), which comprise:

- the consolidated statement of financial position as at March 31, 2022
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated 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 consolidated financial position of the Entity as at March 31, 2022, and its consolidated results of operations and its consolidated 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 "***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

July 7, 2022

ONTARIO GENOMICS INSTITUTE

Consolidated Statement of Financial Position

March 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash	\$ 7,548,748	\$ 4,188,508
Accounts receivable (note 2)	206,482	597,983
Current portion of investments and advances (note 3)	–	20,000
Advances due from research projects, net	5,332,591	5,990,358
Deposits and prepaid expenses	138,912	130,147
	<u>13,226,733</u>	<u>10,926,996</u>
Investments and advances (note 3)	100,000	100,000
Capital assets (note 4)	18,872	28,053
	<u>\$ 13,345,605</u>	<u>\$ 11,055,049</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 854,266	\$ 571,076
Amounts payable to research projects	3,063,089	880,985
	<u>3,917,355</u>	<u>1,452,061</u>
Deferred contributions (note 6)	5,859,302	6,376,184
Long-term accrued liabilities	116,828	–
	<u>9,893,485</u>	<u>7,828,245</u>
Net assets:		
Internally restricted (note 7)	1,118,872	1,128,053
Unrestricted	2,333,248	2,098,751
	<u>3,452,120</u>	<u>3,226,804</u>
Commitments (note 9)		
Subsequent events (note 10)		
	<u>\$ 13,345,605</u>	<u>\$ 11,055,049</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:

_____ Director

_____ Director

ONTARIO GENOMICS INSTITUTE

Consolidated Statement of Operations

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Amortization of deferred contributions (note 6)	\$ 27,244,304	\$ 26,052,547
Interest and other (note 3)	209,937	898,372
Reversal of provision for impairment of investments and advances (note 3)	–	100,000
	27,454,241	27,050,919
Expenses:		
Research projects	23,035,287	21,832,858
Business development	1,622,340	1,612,465
General and administrative	1,540,559	1,453,319
Outreach and communications	732,522	646,151
Research programs management	282,615	383,896
Amortization of capital assets	15,602	12,121
	27,228,925	25,940,810
Excess of revenue over expenses	\$ 225,316	\$ 1,110,109

See accompanying notes to consolidated financial statements.

ONTARIO GENOMICS INSTITUTE

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2022, with comparative information for 2021

			2022	2021
	Internally restricted (note 7)	Unrestricted	Total	Total
Net assets, beginning of year	\$ 1,128,053	\$ 2,098,751	\$ 3,226,804	\$ 2,116,695
Excess (deficiency) of revenue over expenses	(15,602)	240,918	225,316	1,110,109
Invested in capital assets	6,421	(6,421)	–	–
Net assets, end of year	\$ 1,118,872	\$ 2,333,248	\$ 3,452,120	\$ 3,226,804

See accompanying notes to consolidated financial statements.

ONTARIO GENOMICS INSTITUTE

Consolidated Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 225,316	\$ 1,110,109
Items not involving cash:		
Amortization of deferred contributions	(27,244,304)	(26,052,547)
Amortization of capital assets	15,602	12,121
Reversal of provision for impairment of investments and advances	–	(100,000)
	(27,003,386)	(25,030,317)
Change in non-cash assets and liabilities:		
Accounts receivable	391,501	(530,625)
Advances due from research projects, net	657,767	(2,566,398)
Deposits and prepaid expenses	(8,765)	(4,905)
Amounts payable to research projects	2,182,104	339,300
Accounts payable and accrued liabilities	283,190	(229,319)
Deferred contributions	26,727,422	28,765,022
Long-term accrued liabilities	116,828	–
	3,346,661	742,758
Investments:		
Purchase of capital assets	(6,421)	(24,917)
Proceeds from investments and advances	20,000	20,000
	13,579	(4,917)
Increase in cash	3,360,240	737,841
Cash, beginning of year	4,188,508	3,450,667
Cash, end of year	\$ 7,548,748	\$ 4,188,508

See accompanying notes to consolidated financial statements.

ONTARIO GENOMICS INSTITUTE

Notes to Consolidated Financial Statements

Year ended March 31, 2022

The Ontario Genomics Institute (the "Corporation" or "OGI") was incorporated without share capital on October 18, 2000 under the Canada Corporations Act as a not-for-profit organization and was continued during 2014 under the Canada Not-for-profit Corporations Act. OGI's role is to drive the life sciences industry in Ontario through the use of genomics to increase the quality of life for all Ontarians through better health outcomes, a healthier environment and sustainable agriculture. This is accomplished by concentrating on three strategic areas:

- (a) through Business Development, to catalyze access to and the impact of research outcomes, helping scientists market their discoveries and the resulting products, and also work to ensure that access to leading-edge technologies makes genomics research in Ontario more competitive;
- (b) through Research Programs Management, to identify and cultivate emerging Ontario-led, pioneering research projects in genomics and related fields, and work with them to identify, attract and support funding; and
- (c) through Outreach and Communications, to establish initiatives that increase awareness of genomics research and facilitate informed public dialogue about genomics and its impact on society.

1. Significant accounting policies:

These consolidated financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. Significant accounting policies are as follows:

(a) Subsidiaries:

These consolidated financial statements include the results of OGI with those of the Corporation's wholly owned subsidiary, Genomics Ontario Inc. All significant intercompany accounts and transactions have been eliminated upon consolidation.

(b) Revenue recognition:

The Corporation follows the deferral method of accounting for contributions, which include funds from Genome Canada and the Government of Ontario through the Ministry of Research, Innovation and Science and the Ministry of Colleges and Universities (the "Ministries"). Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

ONTARIO GENOMICS INSTITUTE

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

1. Significant accounting policies (continued):

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Investment income earned on unspent externally restricted contributions is recognized in the year in which it is earned.

(c) Advances due from (due to) research projects and amounts payable to research projects:

Advances due from research projects comprise amounts provided by the Corporation to approved research projects which have not been expensed. Advances due to research projects comprise amounts payable by the Corporation to projects for expenses already approved and incurred.

Amounts payable to research projects are comprised of funds received by the Corporation from Genome Canada for approved project expenses that have not been incurred.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Corporation has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the year if there are indicators of impairment. If there is an indicator of impairment, the Corporation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Corporation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

ONTARIO GENOMICS INSTITUTE

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

1. Significant accounting policies (continued):

(e) Investments and advances:

The Corporation receives shares of non-affiliated companies, representing either a recovery of its cost associated with a research project or compensation for the work it provides to bring the opportunity to an investment ready state and as part of the consideration for providing loans and debentures or other investment instruments. The investments are in companies in which it has neither control nor the ability to exercise significant influence. Investments are initially recorded at cost and an impairment provision is made due to initial uncertainty in the future performance and viability of the underlying companies. The impairment provision is reversed when the investee company becomes quoted in an active market. Proceeds from the sale of the investments are recognized as revenue at the time the investments are sold.

(f) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Furniture and fixtures are amortized on a straight-line basis over five years. Computer equipment is amortized on a straight-line basis over three years.

(g) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

(h) Foreign exchange:

The Corporation's assets and liabilities denominated in foreign currencies are translated into Canadian dollars using exchange rates in effect at the consolidated statement of financial position date. Revenue and expense items are translated at the rate of exchange prevailing on the date of the transaction.

ONTARIO GENOMICS INSTITUTE

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

2. Accounts receivable:

	2022	2021
Harmonized sales tax	\$ 62,707	\$ 114,053
Interest and other	28,275	233,930
Ministry of Colleges and Universities	115,500	250,000
	<u>\$ 206,482</u>	<u>\$ 597,983</u>

3. Investments and advances:

	2022	2021
Debentures	\$ 200,000	\$ 200,000
Equity instruments	350,000	350,000
Provision for impairment	(450,000)	(450,000)
Advances	–	20,000
	<u>100,000</u>	<u>120,000</u>
Less current portion of investments and advances	–	(20,000)
Long-term investments and advances	<u>\$ 100,000</u>	<u>\$ 100,000</u>

The Corporation's Pre-Commercial Business Development Fund program makes investments in debentures, equity shares, and advances of non-affiliated, early-stage companies for which the future performance and viability of the underlying companies is uncertain. An impairment provision is made on these investments.

During 2021, the Corporation's Preferred Share investment in Formation Biologics Inc. with a carrying value of \$100,000 was extinguished in exchange for consideration of \$504,067, which was included in interest and other revenue. Further, the Corporation received Common Shares of Foxtrot Acquisition Sub. During 2021, the Corporation reversed \$100,000 of provision for impairment previously provided for the Preferred Share investment.

In 2017, the Corporation signed a loan agreement to fund \$100,000 to Nicoya Lifesciences for the project "Development of OneChannel SPR Sensor Technology for Next Generation Biosensors". The loan was to be repaid monthly, over five years at \$20,000 per year, bearing interest at 10% compounded annually, commencing April 30, 2017. During the year, \$20,000 (2021 - \$20,000) was paid by Nicoya Lifesciences and the loan was extinguished in full. Interest income from the loan for the year amounted to \$1,329 (2021 - \$5,496) and is included in interest and other revenue.

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

4. Capital assets:

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$ 62,539	\$ 56,112	\$ 6,427	\$ 9,198
Computer equipment	149,550	137,105	12,445	18,855
	\$ 212,089	\$ 193,217	\$ 18,872	\$ 28,053

5. Accounts payable and accrued liabilities:

	2022	2021
Accrued liabilities	\$ 308,350	\$ 197,432
Accounts payable	208,183	16,583
Grants payable	274,981	278,151
Lease inducement	62,752	78,910
	\$ 854,266	\$ 571,076

6. Amortization of deferred contributions:

The Corporation receives funding from Genome Canada, the Government of Ontario through the Ministries and Pfizer Canada ULC ("Pfizer").

Deferred contributions related to expenses of future years represent unspent externally restricted funding to be used for the purposes of providing funds to eligible recipients and the payment of operating and capital expenditures in future years.

ONTARIO GENOMICS INSTITUTE

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

6. Amortization of deferred contributions (continued):

The change in the deferred contributions balance is made up of the following:

	2022	2021
Opening balance	\$ 6,376,184	\$ 3,663,709
Deferred contributions received	26,727,422	28,765,022
Less amortization of deferred contributions:		
Genome Canada - Research	(23,784,304)	(22,672,547)
Genome Canada - Operations	(880,000)	(880,000)
Government of Ontario - Operations	(2,500,000)	(2,500,000)
Pfizer – Research	(80,000)	–
	(27,244,304)	(26,052,547)
Ending balance	\$ 5,859,302	\$ 6,376,184

Deferred contributions received in the year excludes \$2,182,104 (2021 - \$880,985) received during the year for which no project agreements have been executed, these amounts have been presented as amounts payable to research projects.

The deferred contributions ending balance includes \$5,332,591 (2021 - \$5,990,358) of deferred contributions for research projects, \$506,711 (2021 - \$385,826) received and unspent by the Corporation relating to the Corporation's future research oversight committee expenses for Large-Scale Applied Research Projects and \$20,000 (2021 - nil) received and unspent by the Corporation relating to the Pfizer project.

On June 4, 2021, the Corporation signed a new agreement with the Government of Ontario for additional funding of \$7,500,000 from the Ministry of Colleges and Universities for the period from April 1, 2021, to March 31, 2024.

7. Internally restricted net assets:

Internally restricted net assets represent \$18,872 (2021 - \$28,053) invested in capital assets and \$1,100,000 (2021 - \$1,100,000) internally imposed restriction for strategic initiatives.

ONTARIO GENOMICS INSTITUTE

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

8. Financial risks and risk management:

The Corporation considers its total assets to be its capital. The Corporation's objectives in managing capital are to safeguard the assets and maintain liquidity.

(a) Liquidity risk:

Liquidity risk is the risk that the Corporation will be unable to fulfill its obligations in a timely basis or at a reasonable cost.

The Corporation manages its liquidity risk by monitoring actual and projected cash disbursements against funding received or to be received from operations. The Corporation prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposure from 2021.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations, resulting in a financial loss. The Corporation is exposed to credit risk with respect to the accounts receivable.

The Corporation manages its credit risk by assessing accounts receivable on a continuous basis. The Corporation deals with creditworthy counterparties and seldom has doubtful accounts. There has been no change to the risk exposure from 2021.

(c) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Corporation is exposed to interest rate risk through the interest income it derives from cash balances. There has been no change to the risk exposure from 2021.

ONTARIO GENOMICS INSTITUTE

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

9. Commitments:

(a) Funding:

The Corporation has committed to funding the following research projects:

(000's)	Opening commitment	Additions	Amendments	Closing commitment	Less amount paid for		Residual commitments
					Expenses incurred	Advances (due to)	
International Consortium Initiatives SGC	\$ 15,993	\$ –	\$ 1,500	\$ 17,493	\$ 16,867	\$ –	\$ 626
NSERC Discovery Frontiers Program	2,000	–	–	2,000	1,900	–	100
Genome Applications Partnership Round 6	1,381	–	31	1,412	1,406	(54)	60
Disruptive Innovation in Genomics Phase 2 Rd 1	1,000	–	–	1,000	1,000	(100)	100
Disruptive Innovation in Genomics Phase 2 Rd 2	4,394	–	–	4,394	3,373	384	637
2015 Large-Scale Applied Research Project Competition	6,721	–	–	6,721	5,864	(640)	1,497
Genomics Technology Platforms	23,581	–	–	23,581	22,511	(183)	1,253
Genome Applications Partnership Round 7	3,593	–	–	3,593	3,593	(200)	200
Genome Applications Partnership Round 8	4,127	–	–	4,127	3,241	411	475
Genome Applications Partnership Round 9	2,659	–	–	2,659	2,601	(109)	167
Genome Applications Partnership Round 10	2,891	–	–	2,891	2,558	92	241
Genome Applications Partnership Round 11	3,300	–	–	3,300	2,056	1,022	222
Genome Applications Partnership Round 12	926	–	–	926	438	128	360
Genome Applications Partnership Round 13	1,375	–	(30)	1,345	828	197	320
Genome Applications Partnership Round 14	2,610	–	–	2,610	967	(22)	1,665
Genome Applications Partnership Round 15	3,574	–	–	3,574	1,419	(151)	2,306
Genome Applications Partnership Round 16	266	–	–	266	119	36	111
Genome Applications Partnership Round 17	3,262	–	–	3,262	1,200	227	1,835
Genome Applications Partnership Round 19	–	3,341	–	3,341	137	343	2,861
2017 Large-Scale Applied Research Project Competition	16,754	–	–	16,754	11,190	559	5,005
2018 Large-Scale Applied Research Project Competition	8,994	–	–	8,994	3,652	1,441	3,901
2020 Large-Scale Applied Research Project Competition	–	6,000	–	6,000	448	569	4,983
Stand Up to Cancer CSC	8,500	–	–	8,500	8,500	(100)	100
SSHRC - Social Sciences and Humanities Research Council	167	–	–	167	147	7	13
2017 Bioinformatics and Computational Biology Competition	3,631	–	–	3,631	3,564	(334)	401
Global Alliance for Genomics in Health	–	115	–	115	–	115	–
Ontario Regional Priorities Partnership Program	975	–	–	975	822	55	98
Canadian COVID-19 Genomics Network	2,539	567	(246)	2,860	1,329	1,531	–
Genomics in Society Interdisciplinary Research Team	711	–	–	711	102	29	580
COVID-19 Regional Genomics Initiative	–	250	–	250	–	80	170
	\$ 125,924	\$ 10,273	\$ 1,255	\$ 137,452	\$ 101,832	\$ 5,333	\$ 30,287

ONTARIO GENOMICS INSTITUTE

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

9. Commitments (continued):

(b) Operating lease:

The Corporation has entered into an operating lease agreement for premises expiring on April 30, 2025, with no option to extend. The anticipated annual payments in each of the next four years are as follows:

2023	\$ 155,100
2024	155,100
2025	166,737
2026	14,218
	<hr/>
	\$ 491,155

10. Subsequent events:

On March 30, 2022, the Corporation entered into commitments to invest funds in two entities subject to certain conditions being met. Subsequent to year-end on June 2, 2022 and June 3, 2022, all conditions were met, and the Corporation issued unsecured convertible debentures in the amount of \$200,000.