

Grand Challenges Canada  
Grands Défis Canada

MaRS Centre, West Tower  
661 University Avenue, Suite 1720  
Toronto, Ontario, Canada M5G 1M1

T +1.416.583.5821  
E [info@grandchallenges.ca](mailto:info@grandchallenges.ca)  
[grandchallenges.ca](http://grandchallenges.ca)



Grand Challenges Canada®  
Grands Défis Canada

Financial Statements

**Grand Challenges Canada**

For the year ended March 31, 2019

# Independent auditor's report

To the Board of Directors of  
**Grand Challenges Canada**

## Opinion

We have audited the financial statements of **Grand Challenges Canada**, which comprise the statement of financial position as at March 31, 2019, statement of operations, statement of changes in net assets 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 Grand Challenges Canada as at March 31, 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 Grand Challenges Canada 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 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 Grand Challenges Canada'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 Grand Challenges Canada or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Grand Challenges Canada'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 scepticism 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 Grand Challenges Canada'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 Grand Challenges Canada'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 Grand Challenges Canada 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.

Toronto, Canada  
June 19, 2019

*Ernst + Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants





GRAND CHALLENGES CANADA

STATEMENT OF FINANCIAL POSITION

As at March 31

	2019	2018
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	20,033,884	13,233,448
Due from University Health Network [note 3]	335,031	204,592
Accounts receivable	362,048	1,446,373
Contributions receivable	615,859	780,485
Prepaid expenses and deposits	106,469	41,341
<b>Total current assets</b>	<b>21,453,291</b>	<b>15,706,239</b>
Capital assets, net [note 4]	207,962	290,630
Investments [note 5]	2,537,209	-
	<b>24,198,462</b>	<b>15,996,869</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	8,514,637	9,524,960
Deferred contributions [note 6]	11,708,726	5,538,883
<b>Total current liabilities</b>	<b>20,223,363</b>	<b>15,063,843</b>
Commitments and contingencies [notes 12, 13 and 14]		
<b>Net assets</b>		
Internally restricted [note 11]	3,975,099	933,026
	<b>24,198,462</b>	<b>15,996,869</b>

See accompanying notes

On behalf of the Board:

Director

Director



Grand Challenges Canada®  
Grands Défis Canada

**GRAND CHALLENGES CANADA**

**STATEMENT OF OPERATIONS**

Year ended March 31	2019 \$	2018 \$
<b>REVENUE</b>		
Grant [notes 6 and 7]	43,661,110	25,281,609
Interest [note 8]	310,492	164,524
Other revenue [note 9]	3,368,496	1,118,327
	<b>47,340,098</b>	<b>26,564,460</b>
<b>EXPENSES</b>		
Programs		
Issued grants	29,466,434	17,856,463
Non-grant projects [note 10]	6,605,714	1,410,280
	<b>36,072,148</b>	<b>19,266,743</b>
Program support activities	<b>1,893,965</b>	740,118
Operations		
Personnel	4,464,732	3,974,026
Materials and supplies	180,855	125,693
Equipment and infrastructure	585,333	505,211
Due diligence, travel and results management	1,100,992	1,019,643
	<b>6,331,912</b>	<b>5,624,573</b>
	<b>44,298,025</b>	<b>25,631,434</b>
<b>Excess of revenue over expenses for the year</b>	<b>3,042,073</b>	<b>933,026</b>

*See accompanying notes*



GRAND CHALLENGES CANADA

STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31

	2019		
	Unrestricted	Internally	Total
	\$	restricted	\$
		\$	\$
Balance, beginning of year	933,026	-	933,026
Excess of revenue over expenses for the year	3,042,073	-	3,042,073
Interfund transfer <i>[note 11]</i>	(3,975,099)	3,975,099	-
<b>Balance, end of year</b>	<b>-</b>	<b>3,975,099</b>	<b>3,975,099</b>

	2018		
	Unrestricted	Internally	Total
	\$	restricted	\$
		\$	\$
Balance, beginning of year	-	-	-
Excess of revenue over expenses for the year	933,026	-	933,026
Interfund transfer <i>[note 11]</i>	-	-	-
<b>Balance, end of year</b>	<b>933,026</b>	<b>-</b>	<b>933,026</b>

See accompanying notes



**GRAND CHALLENGES CANADA**

**STATEMENT OF CASH FLOWS**

Year ended March 31

	2019 \$	2018 \$
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses for the year	3,042,073	933,026
Add non-cash items		
Amortization of capital assets	109,693	114,243
Additions to investments	(2,537,209)	-
Changes in non-cash operating working capital balances related to operations		
Decrease (increase) in accounts receivable	1,084,325	(1,266,385)
Decrease in contributions receivable	164,626	1,616,946
Decrease (increase) in due from University Health Network	(130,439)	413,228
Increase in prepaid expenses and deposits	(65,128)	(16,831)
Increase (decrease) in accounts payable and accrued liabilities	(1,010,323)	905,947
Increase (decrease) in deferred contributions	6,169,843	(2,111,038)
<b>Cash provided by operating activities</b>	<b>6,827,461</b>	<b>589,136</b>
<b>INVESTING ACTIVITIES</b>		
Additions to capital assets	(27,025)	-
<b>Cash provided by (used in) investing activities</b>	<b>(27,025)</b>	<b>-</b>
<b>Net increase in cash and cash equivalents during the year</b>	<b>6,800,436</b>	<b>589,136</b>
Cash and cash equivalents, beginning of year	13,233,448	12,644,312
<b>Cash and cash equivalents, end of year</b>	<b>20,033,884</b>	<b>13,233,448</b>

*See accompanying notes*

**GRAND CHALLENGES CANADA**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2019

**1. PURPOSE OF THE ORGANIZATION**

Grand Challenges Canada (the “Organization”) is dedicated to supporting Bold Ideas with Big Impact®. Funded by the Government of Canada and other partners, the Organization funds innovators in low- and middle-income countries and Canada. The bold ideas Grand Challenges Canada supports integrate science and technology, social and business innovation – known as Integrated Innovation®.

The Organization works closely with Global Affairs Canada (“GAC”) and the Canadian Institutes of Health Research (“CIHR”), to catalyze scale, sustainability and impact. The Organization also works with other governments, foundations, private sector and organizations. The Organization is hosted in Toronto at the Sandra Rotman Centre at the University Health Network.

The Organization was incorporated as Grand Challenges Canada on March 19, 2008 under the *Canada Corporations Act* as a corporation without share capital. The Organization continued its incorporation under the *Canada Not-for-profit Corporations Act* on January 29, 2014. The Organization is a not-for-profit organization within the meaning of the *Income Tax Act* (Canada).

On March 10, 2017, Grand Challenges Canada Foundation (the “Foundation”) was incorporated as a corporation without share capital under the *Canada Not-for-profit Corporations Act* and is a not-for-profit organization within the meaning of the *Income Tax Act* (Canada). The Organization has the ability to elect the majority of the Foundation’s directors. The purpose of the Foundation is to receive donations that will be used to relieve poverty and promote health and support the activities of the Organization. There have been no financial transactions in the Foundation during the current or prior year.

**2. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.



**GRAND CHALLENGES CANADA**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2019

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenue recognition**

The Organization follows the deferral method of accounting for contributions, which include grants. Contributions are recognized in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized.

**Project payments**

All contractual project payments are subject to the provision of funds by donor partners. They are recorded as an expense when approved and when innovators meet all terms and conditions of the agreements. Refunds on previously disbursed project agreements are credited against the current year expenses when the project is active or to other income when the project is closed.

**Non-grant projects**

The Organization provides funding for projects in the form of loans receivable, convertible loans and repayable grants (“non-grant projects”). Loans and repayable grants are advanced to borrowers in tranches, subject to the satisfaction of certain terms and conditions, including milestone events. Loans and repayable grants are repayable at maturity or over a repayment period, and may bear interest. Certain loan agreements include a provision that permits the Organization to convert the outstanding principal amount of a loan into authorized equities of the borrower.

The degree of certainty that economic benefits (i.e. interest, repayment of funds or fair value of equities on converted loans) related to non-grant projects will flow to the Organization is insufficient to warrant the recognition of these non-grant project payments as assets when issued. Therefore, non-grant project payments are expensed as they are incurred.



**GRAND CHALLENGES CANADA**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2019

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Interest earned on the return of funds from non-grant projects are recognized when funds have been received or are receivable, reasonably estimable and there is reasonable assurance of collection. Equities received on conversion of loans are recorded on the transaction date. Interest received is recorded as interest revenue in the statement of operations. The return of funds and fair value of equities on converted loans are recorded as other revenue in the statement of operations. To the extent the future use of assets arising from the foregoing require approval from the funder, they are recorded as deferred contributions.

**Financial instruments**

Investments consist of common and preferred shares in private enterprises, which are recorded at fair market value on the date of conversion and subsequently measured at cost, less any provision for impairment. Transaction costs are recognized in the statement of operations in the period they are incurred.

Financial instruments, including accounts and contributions receivable and accounts payable and accrued liabilities, are initially recorded at fair value and subsequently measured at cost, net of any provision for impairment.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash on deposit and short-term investments with a short term to maturity of approximately three months or less from the date of purchase.

**Capital assets**

Capital assets are recorded at cost and amortized over their estimated useful lives on a straight-line basis. The estimated useful life of each asset class is as follows:

**Tangible**

Computer equipment	3 years
--------------------	---------

**Intangible**

Software	5 years
Website	3 years

**GRAND CHALLENGES CANADA**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2019

**Net assets**

The Organization's net assets consist of the accumulation of revenues over expenditures from operations and include unrestricted and internally restricted amounts for special purposes and reserved amounts as approved by the Board of Directors.

**3. DUE FROM UNIVERSITY HEALTH NETWORK**

The Organization has an agreement with the University Health Network for human resources and administrative services provided by the University Health Network. The settlement of accounts between the University Health Network and the Organization is done on a regular basis. Amounts are non-interest bearing.

**4. CAPITAL ASSETS**

Capital assets consist of the following:

	<b>2019</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>
	\$	\$	\$
<b>Tangible</b>			
Computer equipment	27,938	23,282	4,656
<b>Intangible</b>			
Software	500,495	335,318	165,177
Website	182,111	143,982	38,129
	<b>710,544</b>	<b>502,582</b>	<b>207,962</b>



GRAND CHALLENGES CANADA

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

4. CAPITAL ASSETS (continued)

	2018		
	Cost \$	Accumulated amortization \$	Net book value \$
<b>Tangible</b>			
Computer equipment	27,938	13,969	13,969
<b>Intangible</b>			
Software	500,495	256,511	243,984
Website	155,086	122,409	32,677
	<u>683,519</u>	<u>392,889</u>	<u>290,630</u>

5. INVESTMENTS

Investments are measured at cost and consist of the following:

	2019 \$	2018 \$
<u>Shares in private enterprises</u>	<u>2,537,209</u>	<u>-</u>



**GRAND CHALLENGES CANADA**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2019

**6. DEFERRED CONTRIBUTIONS**

Deferred contributions represent unspent resources externally restricted for expenses in future years. Changes in the deferred contributions balance are as follows:

	<b>2019</b>	<b>2018</b>
	\$	\$
<b>Balance, beginning of year</b>	<b>5,538,883</b>	7,649,921
Amounts received during the year	<b>50,537,235</b>	22,390,086
Contributions receivable	<b>(706,282)</b>	780,485
Interest earned on funds received in advance	<b>285,373</b>	69,722
Amounts recognized as revenue during the year		
Grant revenue <i>[note 7]</i>	<b>(43,661,110)</b>	(25,281,609)
Interest <i>[note 8]</i>	<b>(285,373)</b>	(69,722)
<b>Balance, end of year</b>	<b>11,708,726</b>	5,538,883



GRAND CHALLENGES CANADA

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

7. GRANT REVENUE

The Organization is funded by numerous contribution agreements over varying time periods. Grant revenue recognized in the current year is from the following sources:

	2019 \$	2018 \$
Global Affairs Canada	33,584,026	20,625,366
Norwegian Agency for Development Cooperation	2,276,985	-
Department of Foreign Affairs and Trade – Australia	1,907,965	87,119
U.S. Agency for International Development	1,156,377	331,986
Department for International Development – UK – <i>Humanitarian</i>	1,136,963	-
Department for International Development – UK – <i>Saving Lives at Birth</i>	788,817	1,815,368
ELMA Foundation	747,006	251,039
Union de Banques Suisses Optimus Foundation	687,580	920,831
Bill and Melinda Gates Foundation	614,897	462,658
J.W. McConnell Family Foundation	334,170	139,189
Johnson & Johnson	62,382	144,302
Dutch Government Stabilisation and Humanitarian Aid Department	20,607	-
Other	343,335	503,751
	<b>43,661,110</b>	<b>25,281,609</b>

8. INTEREST REVENUE

Interest revenue includes interest earned on funds received in advance and from non-grant projects.

	2019 \$	2018 \$
Interest from funds received in advance <i>[note 6]</i>	285,373	69,722
Interest from non-grant projects <i>[note 10]</i>	25,119	94,802
	<b>310,492</b>	<b>164,524</b>



**GRAND CHALLENGES CANADA**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2019

**9. OTHER REVENUE**

Other revenue includes repayment of loans from non-grant projects [note 10], and other sources of funding that supported program support activities and operations:

	2019 \$	2018 \$
Non-grant projects [note 10]	2,967,604	921,663
Other contributions	400,892	196,664
	<b>3,368,496</b>	<b>1,118,327</b>

**10. NON-GRANT PROJECTS**

During fiscal year 2018–2019, the Organization received interest payments from non-grant projects of \$69,252 [2018 – \$94,802] and received loan repayments of \$1,343,767 [2018 – nil].

On May 8, 2018, the Organization was required to convert an outstanding loan agreement of US\$858,000 for 315,998 common shares at a fair market value of CAD\$1,096,092. On December 20, 2018, the Organization was required to convert an additional outstanding loan and interest receivable of US\$1,067,890 for 1,423,853 Class B shares at a fair market value of CAD\$1,441,117.

In addition to these non-grant projects, in 2013 the Organization made an investment contribution to the Global Health Investment Fund, a partially guaranteed fund designed to catalyze investment activity that can deliver new technologies to address urgent global health challenges and improve livelihoods around the world. Since there is no certainty about the timing of the return on invested capital, no value was attributed to the investment when made in 2013 and the contribution was expensed. During fiscal year 2018–2019, the Organization received \$1,223,952 [2018 – \$921,663] from its investment contribution to the Global Health Investment Fund.

Interest received of \$44,133 [2018 – nil], loan repayments of \$1,041,232 [2018 – nil], and the fair value of shares received on the conversion of loans of \$1,096,092 [2018 – nil] totalling \$2,181,457 [2018 – nil] were recorded in deferred contributions [note 6]. Of the remaining amounts, \$25,119 [2018 – \$94,802] was recorded in interest revenue [note 8] and \$2,967,604 [2018 – \$921,663] was recorded in other revenue [note 9].

**GRAND CHALLENGES CANADA**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2019

**11. INTERNALLY RESTRICTED NET ASSETS**

During the year ended March 31, 2019, the Board of Directors approved a transfer of \$3,975,099 from unrestricted net assets to internally restricted net assets.

**12. FUNDING COMMITMENTS**

The Organization has commitments to make funding payments to various organizations subject to funding being provided by the Government of Canada and other donor partners, and subject to compliance by recipients with the terms and conditions of funding agreements.

Funding payments payable to various organizations are as follows:

	\$
2020	17,712,566
2021	24,055,434
	<u>41,768,000</u>

**13. LEASE COMMITMENTS**

The future minimum annual lease payment for operating leases is as follows:

	\$
2020	<u>214,876</u>

**14. CONTINGENCIES**

The Organization is required to adhere to the terms and conditions under its funding agreements and is routinely subject to external audits in respect of these agreements. Where a potential liability is likely and able to be estimated, management has recorded its best estimate of the liability. When indeterminable, no liability is recorded. Any additional losses will be recorded in the year during which the liability is able to be estimated or adjustments to the amount recorded are determined to be required.