



Grand Challenges Canada[®]
Grands Défis Canada

Financial Statements

Grand Challenges Canada
For the year ended March 31, 2020

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, 2020, and the 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, 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 **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 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 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 **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 16, 2020

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants





GRAND CHALLENGES CANADA

STATEMENT OF FINANCIAL POSITION

As at March 31

	2020	2019
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	23,500,437	20,033,884
Due from University Health Network [note 3]	1,149,966	335,031
Accounts receivable	707,006	362,048
Contributions receivable	626,762	615,859
Prepaid expenses and deposits	147,952	106,469
Total current assets	26,132,123	21,453,291
Capital assets, net [note 4]	101,731	207,962
Investments [note 5]	2,537,209	2,537,209
	28,771,063	24,198,462
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	8,040,240	8,514,637
Deferred contributions [note 6]	13,286,774	11,708,726
Total current liabilities	21,327,014	20,223,363
Commitments and contingencies [notes 12, 13 and 14]		
Net assets		
Internally restricted [note 11]	7,444,049	3,975,099
	28,771,063	24,198,462

See accompanying notes

On behalf of the Board:

Director

Director



GRAND CHALLENGES CANADA

STATEMENT OF OPERATIONS

Year ended March 31

	2020	2019
	\$	\$
REVENUE		
Grant [notes 6 and 7]	56,835,675	43,661,110
Interest [note 8]	555,205	310,492
Other revenue [note 9]	4,134,507	3,368,496
	61,525,387	47,340,098
EXPENSES		
Programs		
Issued grants	38,927,706	29,466,434
Non-grant projects	5,723,833	6,605,714
	44,651,539	36,072,148
Program support activities	3,922,465	1,889,157
Program support activities – operations		
Personnel	4,430,970	2,803,599
Materials and supplies	147,229	132,944
Equipment and infrastructure	135,657	55,041
Due diligence, travel and results management	899,373	754,151
	5,613,229	3,745,735
Operations		
Personnel	2,269,989	1,672,509
Materials and supplies	96,975	72,275
Equipment and infrastructure	673,925	518,917
Due diligence and travel	276,466	327,284
Fundraising and strategic advisory	551,849	-
	3,869,204	2,590,985
	58,056,437	44,298,025
Excess of revenue over expenses for the year	3,468,950	3,042,073

See accompanying notes



GRAND CHALLENGES CANADA

STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31

	2020		
	Unrestricted	Internally restricted	Total
	\$	\$	\$
Balance, beginning of year	-	3,975,099	3,975,099
Excess of revenue over expenses for the year	3,468,950	-	3,468,950
Interfund transfer <i>[note 11]</i>	(3,468,950)	3,468,950	-
Balance, end of year	-	7,444,049	7,444,049

	2019		
	Unrestricted	Internally restricted	Total
	\$	\$	\$
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	-
Balance, end of year	-	3,975,099	3,975,099

See accompanying notes



GRAND CHALLENGES CANADA

STATEMENT OF CASH FLOWS

Year ended March 31

	2020	2019
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	3,468,950	3,042,073
Add (deduct) non-cash items		
Amortization of capital assets	106,231	109,693
Additions to investments	-	(2,537,209)
Changes in non-cash working capital balances related to operations		
(Increase) decrease in accounts receivable	(344,958)	1,084,325
(Increase) decrease in contributions receivable	(10,903)	164,626
Increase in due from University Health Network	(814,935)	(130,439)
Increase in prepaid expenses and deposits	(41,483)	(65,128)
Decrease in accounts payable and accrued liabilities	(474,397)	(1,010,323)
Increase in deferred contributions	1,578,048	6,169,843
Cash provided by operating activities	3,466,553	6,827,461
INVESTING ACTIVITIES		
Additions to capital assets	-	(27,025)
Cash used in investing activities	-	(27,025)
Net increase in cash during the year	3,466,553	6,800,436
Cash and cash equivalents, beginning of year	20,033,884	13,233,448
Cash and cash equivalents, end of year	23,500,437	20,033,884

See accompanying notes

GRAND CHALLENGES CANADA

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

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).

2. SUMMARY OF 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.

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.

GRAND CHALLENGES CANADA

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Interest earned or 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.

GRAND CHALLENGES CANADA

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Other 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. Short-term investments are recorded at cost plus accrued interest, which approximates fair value.

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
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Intangible

Software	5 years
Website	3 years

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not contribute to the Organization's ability to provide goods and services. Any impairment results in a write-down of the asset and an expense in the statement of operations. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

GRAND CHALLENGES CANADA

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Related entities

The Grand Challenges Canada Foundation (the "Foundation"), a controlled registered charity, is not consolidated. Instead, the Organization has chosen to provide summarized financial information [*note 15*].

New accounting standards

During the year, the Organization prospectively adopted the new accounting standards *Section 4433, Tangible Capital Assets*, and *Section 4434, Intangible Capital Assets* as of April 1, 2019. *Section 4433, Tangible Capital Assets* replaces the previous *Section 4431, Tangible Capital Assets* and provides additional guidance on contributed assets and the write-down [partial impairment] of assets. *Section 4434, Intangible Capital Assets* replaces the previous *Section 4432, Intangible Capital Assets* and provides additional guidance on contributed assets and the write-down [partial impairment] of assets. Beyond additional accounting policy note disclosures, the adoption of these standards did not impact the financial statements.

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.

GRAND CHALLENGES CANADA

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

4. CAPITAL ASSETS

Capital assets consist of the following:

	2020		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Tangible			
Computer equipment	27,938	27,938	-
Intangible			
Software	500,495	414,124	86,371
Website	182,111	166,751	15,360
	710,544	608,813	101,731

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

GRAND CHALLENGES CANADA

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

5. INVESTMENTS

Investments are measured at cost, less any impairment, and consist of the following:

	2020	2019
	\$	\$
Shares in private enterprises	2,537,209	2,537,209

6. DEFERRED CONTRIBUTIONS

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

	2020	2019
	\$	\$
Balance, beginning of year	11,708,726	5,538,883
Amounts received during the year	59,017,534	50,537,235
Contributions receivable	241,189	(706,282)
Interest earned on funds received in advance	455,154	285,373
Amounts recognized as revenue during the year		
Grant revenue <i>[note 7]</i>	(56,835,675)	(43,661,110)
Interest <i>[note 8]</i>	(455,154)	(285,373)
Non-grant projects <i>[note 10]</i>	(845,000)	-
Balance, end of year	13,286,774	11,708,726

GRAND CHALLENGES CANADA

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

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:

	2020	2019
	\$	\$
Global Affairs Canada	42,526,187	33,584,026
U.S. Agency for International Development	2,722,239	1,156,377
Department for International Development – UK – <i>Humanitarian</i>	2,200,192	1,136,963
Norwegian Agency for Development Cooperation	1,428,006	2,276,985
Department for International Development – UK – <i>Saving Lives at Birth</i>	1,405,826	788,817
Department of Foreign Affairs and Trade – Australia	1,023,699	1,907,965
Bill and Melinda Gates Foundation	902,725	614,897
Dutch Government Stabilisation and Humanitarian Aid Department	633,508	20,607
ELMA Foundation	488,394	747,006
J.W. McConnell Family Foundation	341,024	334,170
Union de Banques Suisses Optimus Foundation	311,468	687,580
Women and Gender Equality Canada	182,555	-
Johnson & Johnson	126,345	62,382
Department of Health and Social Care - Global Mental Health	35,976	-
Other	2,507,531	343,335
	56,835,675	43,661,110

GRAND CHALLENGES CANADA

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

8. INTEREST REVENUE

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

	2020	2019
	\$	\$
Interest from funds received in advance <i>[note 6]</i>	455,154	285,373
Interest from non-grant projects <i>[note 10]</i>	100,051	25,119
	555,205	310,492

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:

	2020	2019
	\$	\$
Non-grant projects <i>[note 10]</i>	3,827,665	2,967,604
Other contributions	306,842	400,892
	4,134,507	3,368,496

GRAND CHALLENGES CANADA

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

10. NON-GRANT PROJECTS

Payments received for non-grant projects include the following:

	2020	2019
	\$	\$
Interest	145,114	69,252
Less amounts related to externally restricted funds	(45,063)	(44,133)
Interest related to unrestricted funds [note 8]	100,051	25,119
Return of investment contribution	2,982,665	1,223,952
Loan repayments	44,816	1,343,767
Loan repayment reclassification from deferred contributions [note 6]	845,000	-
Common shares received on loan conversion	-	2,537,209
	3,872,481	5,104,928
Less amounts related to externally restricted funds	(44,816)	(2,137,324)
Other revenue [note 9]	3,827,665	2,967,604

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 2019–2020, the Organization received \$2,982,665 [2019 – \$1,223,952] from its investment contribution to the Global Health Investment Fund.

GRAND CHALLENGES CANADA

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

11. INTERNALLY RESTRICTED NET ASSETS

During the year ended March 31, 2020, the Board of Directors approved a transfer of \$3,468,950 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:

	\$
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2021	21,401,000
2022	17,271,000
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	38,672,000
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13. LEASE COMMITMENTS

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

	\$
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2021	323,000
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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.

GRAND CHALLENGES CANADA

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

15. RELATED ENTITIES

[a] 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 registered charity within the meaning of the *Income Tax Act* (Canada). 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.

The Organization has the ability to elect the majority of the Foundation’s directors. As such, the Foundation is a controlled not-for-profit entity.

The Foundation prepares its financial statements 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.

[b] The summarized financial statements of the Foundation are as follows:

	2020	2019
	\$	\$
Total assets	100,000	-
Total liabilities	(100,000)	-
Net assets	-	-
Total revenue	-	-
Excess of revenue over expenses for the year	-	-

GRAND CHALLENGES CANADA

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

16. COVID-19

The outbreak of the Coronavirus disease (“COVID-19”) has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown.

The duration and impact of the COVID-19 outbreak is unknown at this time, nor is the efficacy of the government and central bank monetary and fiscal interventions designed to stabilize economic conditions. As a result, it is not possible to reliably estimate the length and severity of these developments nor the impact on the financial position and financial results of the Organization in future periods.

17. Comparative financial statements

Certain comparative figures have been reclassified to conform to the current year’s presentation.