Financial Statements of

PRAXIS SPINAL CORD INSTITUTE

(formerly Rick Hansen Institute)

And Independent Auditors' Report thereon

Year ended March 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Directors of Praxis Spinal Cord Institute (formerly Rick Hansen Institute)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Praxis Spinal Cord Institute (formerly Rick Hansen Institute) (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations and fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the 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 financial position of the Entity 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 "***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.

- 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.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
June 16, 2020

PRAXIS SPINAL CORD INSTITUTE
(formerly Rick Hansen Institute)

Statement of Financial Position

March 31, 2020, with comparative information for year 2019

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	$ 1,696,974	$ 3,847,434
Short-term investments (note 3)	5,644,330	7,097,194
Accounts receivable	706,401	26,930
Prepaid expenses	63,365	98,120
	8,111,070	11,069,678
Capital assets (note 5)	116,372	101,853
Investment funds (note 4)	208,939	200,000
	$ 8,436,381	$ 11,371,531
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	$ 1,737,867	$ 1,396,996
Deferred contributions (note 7(a))	5,987,504	9,028,057
	7,725,371	10,425,053
Net assets:		
Unrestricted funds	711,010	946,478
Commitments and contingencies (note 8)		
	$ 8,436,381	$ 11,371,531

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board:

_______________ Director _______________ Director

PRAXIS SPINAL CORD INSTITUTE

(formerly Rick Hansen Institute)

Statement of Operations and Fund Balances

Year ended March 31, 2020, with comparative information for year 2019

	2020	2019
Revenue:		
Grants and contributions (note 7(a))	$ 11,893,350	$ 10,942,564
Donations and sponsorships (note 7(a))	11,884	3,450
Investment income	176,105	224,786
Other income	162,510	53,230
Amortization of deferred capital contributions (note 7(b))	-	37,457
	12,243,849	11,261,487
Expenses (note 10):		
Translational research	3,105,107	3,930,955
Best practice implementation	4,739,437	3,432,534
Commercialization	1,230,599	929,541
Informatics	929,291	1,053,190
Network development	434,606	315,243
Best and brightest awards	110,000	119,988
Consumer engagement	841,236	593,152
Fundraising	265,247	121,022
Management and administration (note 10)	823,794	508,799
	12,479,317	11,004,424
Excess (deficiency) of revenue over expenses	(235,468)	257,063
Adjustment to unrestricted fund balance (note 7(a))	-	262,131
Unrestricted fund balance, beginning of year	946,478	427,284
Unrestricted fund balance, end of year	$ 711,010	$ 946,478

The accompanying notes are an integral part of these financial statements.

PRAXIS SPINAL CORD INSTITUTE

(formerly Rick Hansen Institute)

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for year 2019

	2020	2019
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	$ (235,468)	$ 257,063
Items not involving cash:		
Depreciation of capital assets	56,492	42,681
Unrealized gains on investment funds	(8,939)	-
Amortization of deferred capital contributions	-	(37,457)
	(187,915)	262,287
Changes in non-cash working capital:		
Accounts receivable	(679,471)	10,100,066
Prepaid expenses	34,755	(23,401)
Accounts payable and accrued liabilities	340,871	204,808
Deferred contributions	(3,040,553)	(2,531,059)
	(3,532,313)	8,012,701
Investing:		
Purchase of capital assets	(71,011)	(107,077)
Purchase of investment funds	-	(200,000)
Purchase of short-term investments	(7,211,264)	(7,076,032)
Proceeds from short-term investments	8,664,128	1,914,349
	1,381,853	(5,468,760)
Increase (decrease) in cash and cash equivalents	(2,150,460)	2,543,941
Cash and cash equivalents, beginning of year	3,847,434	1,303,493
Cash and cash equivalents, end of year	$ 1,696,974	$ 3,847,434
Supplemental information:		
Non-cash operating activities:		
Transfer of deferred contributions to unrestricted contributions	$ -	$ 262,131

The accompanying notes are an integral part of these financial statements.

1. Nature of operations:

Praxis Spinal Cord Institute (the "Institute") formerly known as Rick Hansen Institute was incorporated on January 15, 2009 under the Canada Corporations Act. On July 24, 2019, the Institute officially changed its name from the Rick Hansen Institute. On October 26, 2009, the Institute was registered as a charity under the Income Tax Act and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

The Institute's mission is to lead collaboration across the global spinal cord injury ("SCI") community by providing resources, infrastructure, and knowledge and to identify, develop, validate, and accelerate the translation of evidence and best practices to reduce the incidence and severity of paralysis after SCI, improve health care outcomes, reduce long-term costs, help promote SCI commercialization, and improve quality of life for those living with SCI.

The declaration of the COVID-19 virus as a pandemic by the World Health Organization on March 11, 2020, and the subsequent shut-downs globally, domestically, and locally have had a significant impact on the jurisdictions and market sectors in which the Institute operates. The initial impact has been minimal disruptions to the Institute's operations. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Institute's operations cannot be estimated reliably at this time. These impacts could include impairment in our investments or other long-lived assets or potential future decreases in revenue.

2. Basis of preparation and significant accounting policies:

Effective April 1, 2012, the Institute adopted Canadian accounting standards for not-for-profit organizations ("ASNPO") as issued by the Canadian Accounting Standards Board.

The significant accounting policies are summarized below:

(a) Cash and cash equivalents:

Cash and cash equivalents consist of cash on deposit with banks and short-term deposits with a maturity of less than 90-days.

(b) Investments:

Short-term investments include short-term deposits with maturities of one year or less and greater than 90-days. Long-term investments include guaranteed investment certificates with maturities of greater than one year from. Investments are recorded at fair value with gains and losses recorded in the statement of operations.

Investment funds are invested in market related blue chip stocks and are recorded at fair value with realized and unrealized gains and losses recorded in the statement of operations.

2. Basis of preparation and significant accounting policies (continued):

(c) Subsidiaries:

During the 2020 fiscal year, the Institute incorporated a for-profit subsidiary, Praxis Neuro Ventures Inc. ("Neuro Ventures"), which is 100% owned by the Institute. Neuro Ventures was incorporated for a nominal value and is currently inactive.

(d) Capital assets:

Capital assets are recorded at cost and depreciated on a straight-line basis over their estimated useful lives at the following annual rates:

Asset	Rate
Office equipment	5 years
Computers - hardware	3 years
Computers - software	3 years
Leasehold improvements	Lease term

Effective April 1, 2019, the Institute adopted the new guidance in Section 4433, *Tangible Capital Assets Held by Not-for-Profit Organizations*. Section 4433 directs organizations to apply the accounting guidance of Section 3061, *Property Plant and Equipment* in Part II of the CPA Canada Handbook. In so doing, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a non-reversible impairment expense. In addition, where practical, to componentize capital assets when estimates can be made of the useful lives of the separate components. This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairments of tangible assets that existed as at April 1, 2019. The implementation of this change had no impact on the financial statements.

(e) Revenue recognition:

The Institute follows the deferral method of accounting for restricted contributions. When receivable, the restricted contribution is deferred and recognized as revenue in the period in which the related expenses are incurred by the Institute. Restricted contributions specifically for the purchase of capital assets are deferred and amortized to revenue on a straight-line basis at a rate corresponding with the depreciation rate for the related capital assets. Unrestricted contributions are recognized as revenue in the current period if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income comprises interest earned on investments and on cash and cash equivalents, and fair value changes in investments.

2. Basis of preparation and significant accounting policies (continued):

(f) Grant expenditures:

The Institute recognizes a grant expense when the grant recipient has complied with the conditions to meet the terms of the grant agreement and the Institute has approved payment of the grant.

(g) Allocation of expenses:

The Institute engages in and strengthens translational research, best practice implementation, commercialization, fundraising, informatics, network development, best and brightest awards and consumer engagement. The Institute incurs a number of management and administration support costs and allocates these expenses to the programs proportionately based on the total full-time equivalents of the program. Management and administration support costs include accounting, human resources, information technology, purchasing, marketing and occupancy costs (note 10).

(h) Financial instruments:

The Institute's financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, investment funds and accounts payable and accrued liabilities.

Cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities are initially measured at fair value and subsequently carried at amortized cost. Short-term investments and investment funds are initially measured, and subsequently carried, at fair value with gains and losses recognized in investment income.

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

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those reported. Items requiring the use of management estimates include useful lives of capital assets.

2. Basis of preparation and significant accounting policies (continued):

(j) Related party transactions:

Monetary related party transactions and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of business, except when the transaction is an exchange of a product or property held for sale in the normal course of operations. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount.

All other related party transactions are measured at the carrying amount.

3. Short-term investments:

	2020	2019
Guaranteed investment certificates	$ 5,644,330	$ 7,097,194

4. Investment funds:

	2020	2019
Vancouver Foundation	$ 114,999	$ 100,000
Jewish Foundation of Greater Toronto	93,940	100,000
	$ 208,939	$ 200,000

During the 2019 fiscal year, the Institute established the Spinal Cord Injury Fund (the “Fund”) with the Vancouver Foundation with an initial capital contribution of $100,000. The Vancouver Foundation will hold, invest and administer the Fund in accordance with the provisions of the Vancouver Foundation Act. Income of the Fund shall be disbursed from time-to-time to the Institute and the Institute may encroach upon the capital of the Fund, subject to restrictions established by the Vancouver Foundation, limiting the amount that can be encroached upon to 10% of the principal balance annually, following the first 12-months after the establishment of the fund. After 5-years following the establishment of the Fund, the full balance may be withdrawn or transferred. Requests to encroach upon the capital must be made in writing. Funds are recorded at fair value, with unrealized gains and losses recognized in investment income.

4. Investment funds (continued):

During the 2019 fiscal year, the Institute also established the Spinal Cord Injury Fund (the "SCI Fund") with the Jewish Foundation of Greater Toronto ("JFGT") with an initial capital contribution of $100,000. JFGT will hold, invest and administer the SCI Fund in accordance with the JFGT's policies and procedures. Income and capital of the Fund may be disbursed, from time-to-time to the Institute. All requests to disburse the interest and principal must be made in writing. Funds are recorded at fair value, with unrealized gains and losses recognized in investment income.

5. Capital assets:

	Cost	Accumulated depreciation	2020 Net book value	2019 Net book value
Computers - hardware	$ 534,159	$ 468,889	$ 65,270	$ 66,283
Computers - software	418,567	376,948	41,619	24,615
Office equipment	181,093	171,610	9,483	10,955
Leasehold improvements	47,901	47,901	-	-
	$ 1,181,720	$ 1,065,348	$ 116,372	$ 101,853

Depreciation expense for the year is $56,492 (2019 - $42,681).

6. Government remittances:

Government remittances consist of amounts (such as sales taxes; payroll withholdings; employee benefit costs; Worksafe BC) required to be paid to government authorities and are recognized when the amounts become due. At March 31, 2020, $1,587 (2019 - $1,620) is included within accounts payable and accrued liabilities.

7. Deferred contributions:

Deferred contributions represent the unspent portion of grants, contributions and donations that are externally restricted for specific purposes, such as research and community expenses. Recognition of deferred contributions is recorded as revenue in the statement of operations.

(a) Deferred contributions:

	Balance March 31, 2019	Contributions	Amounts recognized as revenue	Amounts returned to funder	Balance March 31, 2020
WED Federal government	$ 500,000	$ 6,500,000	$ (6,500,000)	$ -	$ 500,000
BC government	8,256,430	-	(3,084,059)	-	5,172,371
Ontario government	49,944	2,000,000	(1,940,195)	-	109,749
Rick Hansen Foundation	165,921	356,711	(369,096)	(5,000)	148,536
Other	55,762	11,030	(9,944)	-	56,848
	$ 9,028,057	$ 8,867,741	$ (11,903,294)	$ (5,000)	$ 5,987,504

7. Deferred contributions (continued):

(a) Deferred contributions (continued):

	Balance March 31, 2018	Contributions	Amounts recognized as revenue	Amounts Transferred to fund balances	Balance March 31, 2019
WED Federal government	$ -	$ 5,900,000	$ (5,400,000)	$ -	$ 500,000
BC government	11,368,645	-	(2,827,415)	(284,800)	8,256,430
Ontario government	-	2,000,000	(1,950,056)	-	49,944
Rick Hansen Foundation	383,914	491,956	(709,949)	-	165,921
Other	68,688	19,549	(55,144)	22,669	55,762
	$ 11,821,247	$ 8,411,505	$ (10,942,564)	$ (262,131)	$ 9,028,057

(b) Deferred capital contributions:

	2020	2019
Balance, beginning of year	$ -	$ 37,457
Amounts amortized to revenue	-	(37,457)
Balance, end of year	$ -	$ -

8. Commitments and contingencies:

(a) Operating leases:

The aggregate minimum future annual payments under operating leases are as follows:

2021	$ 5,692

(b) Commitments under grant agreements are as follows:

2021	$ 1,752,222
2022	305,020
	$ 2,057,242

The Institute has committed funds to other organizations to undertake research in future periods. The actual grant payments are conditional on the organization meeting performance and reporting requirements.

9. Risk management:

(a) Currency risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Institute is not exposed to significant currency risk.

(b) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Institute is exposed to interest rate risk on the value of its fixed income securities as disclosed in note 3. The Institute is not exposed to interest rate fluctuations as the Guaranteed Investments have locked in interest rates.

(c) Market risk and other price risk:

Market risk and other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Institute is only exposed to market risk for its investment funds (note 4). This risk is managed by holding low-to medium risk investments in accordance with the Institute's investment policies.

(d) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss. The Institute is not exposed to significant credit risk.

Liquidity risk is the risk that the Institute will not be able to meet its financial obligations as they fall due. The Institute's approach to managing liquidity risk is to ensure that it will have sufficient working capital and cash flow to fund operations and settle liabilities when due. The Institute is economically dependent on the federal and provincial governments as disclosed in note 11.

10. Allocation of expenses:

Management and administration support costs are allocated to the programs as follows:

	2020	2019
Translational research	$ 123,879	$ 754,096
Best practice implementation	1,183,042	332,013
Commercialization	12,388	47,910
Informatics	309,697	311,412
Network development	123,879	47,910
Consumer engagement	284,921	47,910
Fundraising	61,939	47,910
	$ 2,099,745	$ 1,589,161

11. Economic dependence:

The Institute receives the majority of its funding from the Canadian federal and BC provincial governments.