

MaRS Discovery District

Financial Statements
March 31, 2019



Independent auditor's report

To the Board of Directors of MaRS Discovery District

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of MaRS Discovery District (the Organization) 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.

What we have audited

The Organization's financial statements comprise:

- the statement of financial position as at March 31, 2019;
 - the statement of operations for the year then ended;
 - the statement of changes in net assets for the year then ended;
 - the statement of cash flows for the year then ended; and
 - the notes to the financial statements, which include a summary of significant accounting policies.
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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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

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

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
June 28, 2019

MaRS Discovery District
Statement of Financial Position
As at March 31, 2019

(in thousands of Canadian dollars, unless otherwise stated)

	2019	2018
Assets		
Current assets		
Cash (note 3)	\$19,531	\$25,953
Receivables and prepayments (note 4)	2,926	2,959
Government receivables	2,227	3,055
Due from related parties (note 5)	840	1,261
	<hr/>	<hr/>
	\$25,524	\$33,228
Due from related parties (note 5)	304	300
Investments (note 6)	1,012	590
Cash and investments (note 3)	14,834	9,669
Investment in related parties (note 7)	37,405	39,636
Capital assets (note 10)	1,116	1,468
	<hr/>	<hr/>
	\$80,195	\$84,891
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$6,012	\$4,886
Deferred revenue	1,889	1,806
Restricted contributions (note 12)	17,076	20,863
	<hr/>	<hr/>
	\$24,977	\$27,555
Long-term restricted contributions (note 13)	\$9,834	\$9,669
Net Assets		
Unrestricted	\$1,863	\$6,563
Internally restricted (note 14)	43,521	41,104
	<hr/>	<hr/>
	\$45,384	\$47,667
	<hr/>	<hr/>
	\$80,195	\$84,891

Contingencies and commitments (note 15)

Approved by the Board of Directors

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

MaRS Discovery District
Statement of Operations
For the year ended March 31, 2019

(in thousands of Canadian dollars, unless otherwise stated)

	2019	2018
Revenues		
Restricted provincial grants (note 12)	\$16,620	\$15,742
Restricted federal grants (note 12)	3,363	2,642
Restricted other grants and donations (note 12)	3,281	2,964
Sponsorship and partnership revenue	3,761	2,965
Professional fees	3,761	2,611
Events fees	2,171	1,904
Other income	1,012	1,402
Related party revenue (note 5)	1,011	902
	<hr/>	<hr/>
	34,980	31,132
Partner payments (note 12)	14,134	14,123
	<hr/>	<hr/>
	\$49,114	\$45,255
Expenses		
Employees and contractors	\$23,293	\$20,601
Program operating	6,455	5,812
Outsourced services	3,426	3,063
Rent expense (note 5)	2,775	2,383
Supplies	1,840	1,158
Administration and other	1,213	672
Amortization	488	532
	<hr/>	<hr/>
	39,490	34,221
Partner payments (note 12)	14,134	14,123
	<hr/>	<hr/>
	\$53,624	\$48,344
	<hr/>	<hr/>
	\$(4,510)	\$(3,089)
	<hr/>	<hr/>
Income of MaRS Phase 1 Investment Fund (note 7)	\$4,761	\$4,420
	<hr/>	<hr/>
	\$251	\$1,331
	<hr/>	<hr/>
Income (loss) of MaRS Phase 2 Investment Fund (note 7)	(2,534)	6,260
	<hr/>	<hr/>
Net (loss) income for the year	\$(2,283)	\$7,591

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

MaRS Discovery District
Statement of Changes in Net Assets
For the year ended March 31, 2019

(in thousands of Canadian dollars, unless otherwise stated)

	2019		
	Unrestricted	Internally restricted (note 14)	Total
Net assets – beginning of year	\$6,563	\$41,104	\$47,667
Net (loss) for the year	(2,283)	-	(2,283)
Inter-fund transfer (note 14)	(2,417)	2,417	-
Net assets – end of year	\$1,863	\$43,521	\$45,384

	2018		
	Unrestricted	Internally restricted (note 14)	Total
Net assets – beginning of year	\$4,922	\$35,154	\$40,076
Net income for the year	7,591	-	7,591
Inter-fund transfer (note 14)	(5,950)	5,950	-
Net assets – end of year	\$6,563	\$41,104	\$47,667

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

MaRS Discovery District
Statement of Cash Flows
For the year ended March 31, 2019

(in thousands of Canadian dollars, unless otherwise stated)

	2019	2018
Cash provided by (used in)		
Operating activities		
Net income (loss) for the year	\$(2,283)	\$7,591
Items not affecting cash		
(Income) of related parties	(2,227)	(10,680)
Amortization of capital assets	488	532
Changes in working capital balances (note 16)	1,109	2,985
	<hr/> \$(2,913)	<hr/> \$428
Financing activities		
Distribution from related parties	\$2,214	\$1,400
Repayment of loan to related party (note 5)	-	47
	<hr/> \$2,214	<hr/> \$1,447
Investing activities		
Net change in long term deposits	\$(5,165)	\$135
Investment (note 6)	(422)	-
Additions to capital assets	(136)	(171)
	<hr/> \$(5,723)	<hr/> \$(36)
Increase (decrease) in cash during the year	<hr/> \$(6,422)	<hr/> \$1,839
Cash – beginning of year	<hr/> \$25,953	<hr/> \$24,114
Cash – end of year	<hr/> \$19,531	<hr/> \$25,953

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

MaRS Discovery District

Notes to Financial Statements

March 31, 2019

(in thousands of Canadian dollars, unless otherwise stated)

1. Description of organization

MaRS Discovery District (MaRS or the organization) was established to develop a world-class innovation and convergence center in Toronto dedicated to improving Canada's social and economic prosperity from its science, technology and social innovations. MaRS' core programs include business advisory services, education and market intelligence to attract and equip Canadian innovators with the skills, tools and networks they need to thrive and grow in the global knowledge economy. MaRS also works to remove systems barriers by conducting research and working collaboratively with governments and public agencies, innovators, established businesses and community partners to determine how to increase the ease and effectiveness of the adoption of new innovations. MaRS administers partner payment grants on behalf of the Province of Ontario and the Government of Canada by providing flow-through grant funding.

MaRS is an organization without share capital, incorporated on August 27, 2001 under the laws of Canada. In October 2014, MaRS was granted continuance under the Canada Not-for-profit Corporations Act. As a registered charity (87668 2717 RR0001) under the Income Tax Act, the organization is exempt from income taxes.

Related entities – real estate

The MaRS Centre, which is located on the south side of College Street between University Avenue and Elizabeth Street in downtown Toronto, is a world-class innovation hub dedicated to catalyzing convergence of the region's science, technology and social innovations to improve economic and societal outcomes for Canadians. The Centre includes properties that are held by three separate related entities.

MaRS Phase 1 Investment Trust, MaRS Phase 1 Inc. and 2550106 Ontario Inc. (note 7)

In December 2016, MaRS became the sole unitholder and sole beneficiary of the MaRS Phase 1 Investment Trust (Phase 1 Trust) and the 100% sole shareholder of both MaRS Phase 1 Inc. (Phase 1 Inc.) and 2550106 Ontario Inc. (2550106 Ontario). The Phase 1 Trust holds the South Tower and Heritage Building located at 101 College Street.

Phase 1 Inc. is an Ontario for-profit company whose sole activity is to act as Trustee for Phase 1 Trust. Phase 1 Inc. in its capacity as trustee executes contracts and other legal and financial instruments for Phase 1 Trust, but does not record any financial activity of its own.

2550106 Ontario is an Ontario for-profit company whose sole activity is to hold the legal and registered title to the Phase 1 lands as bare trustee for MaRS but does not record any financial activity of its own.

MaRS Phase 2 Investment Trust and MaRS Phase 2 Inc. (note 7)

MaRS is an 80% unitholder and beneficiary of the MaRS Phase 2 Investment Trust (Phase 2 Trust) and the 80% shareholder of MaRS Phase 2 Inc. (Phase 2 Inc.). The University of Toronto holds a 20% interest in Phase 2 Trust and Phase 2 Inc. The Phase 2 Trust holds the West Tower, located at 661 University Avenue.

Phase 2 Inc. is an Ontario for-profit company whose sole activity is to act as Trustee for Phase 2 Trust. Phase 2 Inc. in its capacity as trustee executes contracts and other legal and financial instruments for Phase 2 Trust, but does not record any financial activity of its own.

MaRS Development Trust

The MaRS Development Trust holds the Toronto Medical Discovery Tower (also known as the Princess Margaret Cancer Research Tower) facility, situated at the corner of College and Elizabeth Streets.

In 2002, MaRS was appointed administrator of the MaRS Development Trust (the Trust). The Trust's purpose was to issue \$100,000 in bonds to finance the property development of the Toronto Medical Discovery Tower facility (the project), for the University Health Network (UHN), to operate the project and act as landlord under the UHN lease agreement. Under the UHN lease agreement, the project has been leased in its entirety to UHN pursuant to a 30-year lease dated December 12, 2002. The Trust receives finance income that is recognized over the term of the lease in a manner that produces a constant rate of return on the investment in the lease. As beneficiary of the Trust, MaRS will assume the ownership of the project upon full repayment of the bonds in 2035.

MaRS Discovery District

Notes to Financial Statements

March 31, 2019

(in thousands of Canadian dollars, unless otherwise stated)

Related entities – investment and other

MaRS Investment Accelerator Fund Inc. (note 8)

MaRS controls MaRS Investment Accelerator Fund Inc. (IAF). IAF is an Ontario not-for-profit organization that administers the Investment Accelerator Fund Program on behalf of the Province of Ontario.

MaRS VX (note 9)

MaRS controls MaRS VX, a federal not-for-profit organization. MaRS VX operates the Social Venture Exchange (SVX) under the regulations of the Ontario Securities Commission.

MaRS Discovery Services Inc.

MaRS controls MaRS Discovery Services Inc. (MDSI), an Ontario not-for-profit organization. MDSI holds a 21% investment in JOLT Fund L.P.; 100% of MaRS 101 Ventures Inc.; 100% of MaRS Catalyst Fund General Partner Inc.; and 100% of MaRS Discovery Enterprises Inc. (MDEI).

JOLT Fund L.P. is a limited partnership of private investors that has made investments in promising start-up companies developing products or services in mobile and digital technology. MaRS 101 Ventures Inc. is an Ontario for-profit company that acts as the general partner to JOLT Fund L.P.

MaRS Catalyst Fund General Partner Inc. is an Ontario for-profit company that acts as the general partner to the MaRS Catalyst Fund General Partner L.P. The MaRS Catalyst Fund General Partner L.P. acts as the general partner to the MaRS Catalyst Fund L.P. The Catalyst Fund L.P. makes capital investments, directly or indirectly, in for-profit businesses meeting the B-Corp criteria, which include standards of verified social and environmental performance, public transparency, legal accountability and aspiring to use the power of markets to solve social and environmental problems. MaRS has a 13.49% financial interest in the Catalyst Fund (note 6).

MDEI is an Ontario for-profit company that holds a 10.5% investment in Cogniciti Inc.

MaRS 101 Investments Inc.

MaRS owns 100% of MaRS 101 Investments Inc., an Ontario for-profit company that owns 100% of StandUp General Partner Inc. and holds a limited partnership interest in StandUp General Partner L.P. StandUp General Partner Inc. is an Ontario for-profit corporation that acts as the general partner to the StandUp General Partner L.P. The StandUp General Partner L.P. acts as the general partner to the StandUp Ventures L.P. The StandUp Ventures LP was established in May 2017 for the purpose of investing in high growth technology ventures led by women entrepreneurs.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

The significant accounting policies are as follows:

Revenue recognition

Grants and donations

The organization follows the deferral method of accounting for contributions, which include grants and donations. Under the deferral method, unrestricted contributions are recognized as revenue when received. Restricted contributions, and interest earned on the funds, are deferred and recognized as revenue when the related expenses are incurred. Capital grants are deferred and amortized on a basis corresponding with the amortization rate for the related capital asset.

The organization has not recognized contributions of materials or services in the statement of operations.

MaRS Discovery District

Notes to Financial Statements

March 31, 2019

(in thousands of Canadian dollars, unless otherwise stated)

Sponsorship and partnership

Sponsorship and partnership revenue is recognized over the period of the sponsorship, which may be for a period of time or a specific event. Sponsorship and partnership revenue received in advance of being earned is recorded as deferred revenue.

Professional and events fees

Professional and events fees are recognized when the service has been provided. Deposits received for events are recorded as deferred revenue.

Other income

Other income includes distributions received from investments as well as unrestricted interest income which is recognized as revenue when earned.

Capital assets

Capital assets are recorded at cost, net of accumulated amortization and any impairments. An impairment loss equal to the excess of the carrying value over any residual value is recognized for capital assets when the asset no longer has any long-term service potential to the organization.

Amortization is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	8 years
Furniture and fixtures	5-10 years
Equipment	2-10 years
Software	3-5 years

Investments

For controlled, profit-oriented subsidiaries, such as Phase 1 Trust and Phase 2 Trust, MaRS accounts for them using the equity method. Under the equity method, the investment is initially recorded at cost and the carrying value is adjusted thereafter to include MaRS' pro rata share of the earnings (loss) of the subsidiary, capital transactions and profit distribution (note 7).

For controlled, not-for-profit organizations, such as MaRS Investment Accelerator Fund Inc. and MaRS VX, MaRS has disclosed their financial information in notes 8 and 9. For MDSI, the financial information has not been disclosed as it is not material to the MaRS financial statements.

Other investments are recorded at cost.

Financial instruments

MaRS initially records its financial assets and financial liabilities at fair value. MaRS subsequently measures all of its financial assets and financial liabilities at amortized cost. Financial assets and liabilities include cash, restricted cash, receivables, accounts payable and accrued liabilities, loans and mortgages payable. Financial assets are tested for impairment at the end of each reporting period where there are indicators that the assets may be impaired. Any impairment loss is recognized in the statement of operations. Transaction costs are capitalized and amortized on a straight-line basis over the useful life of the related financial instrument.

Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used in determining allowance for doubtful accounts, useful life and recoverability of capital assets, recoverability of investments and investments in related parties and internal allocations.

MaRS Discovery District
Notes to Financial Statements
March 31, 2019

(in thousands of Canadian dollars, unless otherwise stated)

3. Cash and investments

Cash represents cash in bank operating and savings accounts without restrictions.

Cash and investments classified as long-term represent cash and short-term investments that are equal to the total of long-term restricted contributions (note 13) and the portion of internally restricted net assets associated with future capital and other special projects (note 14).

4. Receivables and prepayments

	2019	2018
Receivables net of allowance for doubtful accounts of \$183 (2018 - \$203)	\$2,319	\$2,273
Prepaid expenses	607	686
	\$2,926	\$2,959

5. Related party transactions and balances

During the course of the year, MaRS entered into certain transactions with related parties. These transactions are in the normal course of operations and are measured at the exchange value, which is the amount of consideration established and agreed to by the related parties.

The organization provided services to Phase 1 Trust in the amount of \$227 (2018 – \$219) for information technology support, accounting, human resources and project management. MaRS has agreements with Phase 1 Trust for the lease of collaboration (event) rooms and office space. The organization paid rent to Phase 1 Trust in the amount of \$2,599 (2018 – \$2,321) during the year. Phase 1 declared a capital distribution of \$2,501 (2018 - \$2,752) to MaRS DD (as unitholder) during the year which was offset against the rent charged.

The organization provided services to Phase 2 Trust in the amount of \$328 (2018 - \$269) for information technology support, accounting, and human resources.

The organization provided services to IAF in the amount of \$189 (2018 - \$142). The services provided included information technology support, accounting, human resources and marketing.

The organization paid an operating fee of \$150 (2018 - \$632) to MaRS VX to operate SVX and provided services to MaRS VX in the amount of \$171 (2018 - \$137). The services provided included rent, information technology support and other general and administrative expenses. In prior years, staff services were shared and costs were allocated between MaRS and MaRS VX. The net allocation from MaRS to MaRS VX was \$233 in 2018.

MaRS also provided management services to the Catalyst Fund in the amount of \$58 (2018 – \$117) and accounting services to StandUp General Partner in the amount of \$38 (2018 – \$18).

MaRS issued a loan of \$70 to MaRS VX in March 2014. The loan is non-interest bearing and has no pre-determined payment schedule. A subordinated agreement was entered into under National Instrument 31-103 for this loan to exclude it from the calculation of MaRS VX's minimum working capital. As such, repayments can only be made with prior notice to the Securities Regulatory Authority. There is no current intent of either MaRS or MaRS VX to have the loan repaid within the next year.

The loan of \$234 (2018 - \$230) due from MDSI bears interest at 2% per annum and has a repayment date of June 2020. No amounts were repaid in 2019 (2018 – \$47).

MaRS Discovery District
Notes to Financial Statements
March 31, 2019

(in thousands of Canadian dollars, unless otherwise stated)

The following amounts were due from (to) related parties at the end of the year.

	2019	2018
Current (non-interest bearing)		
Due from Phase 1 Trust	\$206	\$962
Due from Phase 2 Trust	165	165
Due from IAF	126	114
Due (to) MaRS VX	(17)	(118)
Due from the Catalyst Fund	318	120
Due from StandUp General Partner	42	18
	\$840	\$1,261
Non-current		
Subordinated loan due from MaRS VX	\$70	\$70
Loan due from MDSI	234	230
	\$304	\$300

6. Investments

Cogniciti Inc.

MaRS holds directly a 1.8% interest (carried at cost of \$90) and indirectly, through MDEI, a 10.5% interest in Cogniciti Inc. Cogniciti Inc. was formed in 2009 through a partnership between Baycrest Centre for Geriatric Care (Baycrest), one of the world's leading cognitive science institutes, and MaRS. Since 2013 Baycrest has continued to fund Cogniciti, resulting in a dilution of MaRS' interests. Baycrest currently holds an 87.7% interest in Cogniciti.

Triphase Accelerator Limited Partnership

MaRS holds a 4% interest (carried at cost of \$500) in Triphase Accelerator Limited Partnership (Triphase). Triphase is a biopharmaceutical company focused on accelerating oncology products from the pre-investigational new drug state to proof of concept in less time and with less capital than traditional pharmaceutical and biotechnology approaches. MaRS is entitled to receive distributions at an annual rate of 8% when declared by the General Partner of Triphase. A distribution of \$403 (2018 – \$100) was paid to MaRS during the year and has been included in other income.

The Catalyst Fund L.P. (Fund).

On December 19, 2018 MaRS subscribed for 780 Series C Units, a 13.49% interest, in the Fund for an aggregate subscription price of \$780. As of March 31, 2019, MaRS DD has contributed \$422 (2018 - \$nil) towards its investment in the Fund.

MaRS Discovery District
Notes to Financial Statements
March 31, 2019

(in thousands of Canadian dollars, unless otherwise stated)

7. Investment in related parties

MaRS Phase 1 Trust and Phase 2 Trust (Trusts)

The organization accounts for its interests in both real estate Trusts using the equity method. The Trusts have December fiscal year ends. MaRS records the income (loss) from each trust with a three-month lag and provides disclosure of key financial information for the period from the Trusts year end to March 31.

A continuity of the investment in the Trusts is as follows:

	Phase 1	Phase 2	Total
Balance March 31, 2017	\$2,402	\$30,923	\$33,325
Net income	4,420	6,260	10,680
Distributions	(4,369)	-	(4,369)
Balance March 31, 2018	2,453	37,183	39,636
Net income	4,761	(2,534)	2,227
Distributions	(4,458)	-	(4,458)
Balance, March 31, 2019	\$2,756	\$34,649	\$37,405

The assets, liabilities, unitholder's equity, revenues, expenses and cash flows (at 100%) for Phase 1 and Phase 2 Trust's as at and for the fiscal years ending December 31 are as follows:

	Dec 31, 2018	Dec 31, 2017
Assets	\$472,178	\$489,694
Liabilities	379,584	391,498
Unitholder's equity	92,594	98,196
Revenue	61,268	55,886
Expenses	62,480	58,023
Net income inclusion related to Phase 2 debt refinancing	-	11,578
Cash flow from operating activities	4,765	3,642
Cash flow from financing activities	(9,043)	76,919
Cash flow from investing activities	4,338	(78,226)

The assets, liabilities, unitholder's equity, revenues, expenses and cash flows (at 100%) for Phase 1 and Phase 2 Trusts' as at and for the quarters ending March 31 are as follows:

	Mar 31, 2019	Mar 31, 2018
Assets	\$464,129	\$484,869
Liabilities	372,760	387,479
Unitholder's equity	91,369	97,390
Revenue	15,673	5,292
Expenses	15,601	15,506
Cash flow from operating activities	1,557	1,546
Cash flow from financing activities	(3,429)	(3,611)
Cash flow from investing activities	2,697	6,122

MaRS Discovery District
Notes to Financial Statements
March 31, 2019

(in thousands of Canadian dollars, unless otherwise stated)

8. MaRS Investment Accelerator Fund Inc.

MaRS Investment Accelerator Fund Inc. (IAF) is a Province of Ontario funded seed fund that assists emerging Ontario technology companies to bring their products and services to market. IAF administers the investment of up to \$750 in early stage, privately-held companies, with no significant revenue or institutional investment, that have the potential to be global leaders in their field and provide sustainable economic benefits to Ontario. IAF also provides a comprehensive platform of resources, people, connections and funding that entrepreneurs and innovators can access to launch their new ventures.

IAF makes investments in the form of equity instruments and convertible secured debentures that have maturity dates of 12 to 36 months from date of issuance. In the event of significant financing, acquisition or, at IAF's option, the convertible debenture may convert into equity instruments. The conversion terms may include a share price discount.

The terms of funding permit the Province of Ontario, at its sole discretion, to request the return or transfer of any funds or investments held by IAF.

The assets and liabilities as at March 31 and the revenues, expenses and cash flows for the years ended March 31 for MaRS IAF are as follows:

	2019	2018
Assets	\$83,249	\$72,169
Liabilities	83,249	72,169
Operating revenue	2,462	2,262
Operating expenses	2,462	2,262
Cash flow from operating activities	(2,464)	(120)
Cash flow from financing activities	-	-
Cash flow from investing activities	11,003	6,031

9. MaRS VX

MaRS VX operates the Social Venture Exchange (SVX). SVX, operating under the regulations of the Ontario Securities Commission, is an impact investing platform for ventures, funds and investors seeking social and/or environmental impact alongside the potential for financial return. SVX provides a single access point for raising capital and making investments. SVX works across sectors including cleantech, health, work and learning, food, and social inclusion.

The assets and liabilities as at March 31 and the revenues, expenses and cash flows for the years ended March 31 for MaRS VX are as follows:

	2019	2018
Assets	\$418	\$265
Liabilities	80	193
Net assets	138	72
Revenue	1,023	795
Expenses	956	790
Cash flow from operating activities	230	(67)
Cash flow from financing activities	-	-
Cash flow from investing activities	-	-

MaRS Discovery District
Notes to Financial Statements
March 31, 2019

(in thousands of Canadian dollars, unless otherwise stated)

10. Capital assets

	2019		
	Cost	Accumulated Amortization	Net
Furniture and fixtures	\$1,892	\$1,788	\$104
Equipment	834	764	70
Software	2,549	1,829	720
Leasehold improvements	294	72	222
	\$5,569	\$4,453	\$1,116
	2018		
	Cost	Accumulated Amortization	Net
Furniture and fixtures	\$1,878	\$1,753	\$125
Equipment	834	701	133
Software	2,452	1,475	977
Leasehold improvements	269	36	233
	\$5,433	\$3,965	\$1,468

11. Line of credit

MaRS has a credit facility that includes a \$5,000 revolving demand facility and a \$2,000 revolving lease line of credit. No amounts were drawn on either at March 31, 2019 or 2018. The credit facility is secured by a general security agreement and a guarantee by Phase 1 Trust, supported by a second mortgage in the amount of \$10,000 on the Phase 1 land and building.

12. Restricted contributions

Restricted contributions are funds received in support of specified programs, projects or activities agreed upon by MaRS and various funders. MaRS receives restricted grants from the Province of Ontario and the Government of Canada, and restricted donations and other grants from philanthropic donors and other funders. MaRS also administers partner payment programs on behalf of the Province of Ontario and the Government of Canada. These programs provide flow-through funding to the recipients.

MaRS Discovery District
Notes to Financial Statements
March 31, 2019

(in thousands of Canadian dollars, unless otherwise stated)

	Province of Ontario	Government of Canada	Other funders	Partner payments	Total
Balance					
March 31, 2017	\$7,488	\$ -	\$2,807	\$7,500	\$17,795
Funds received during the year	14,162	2,877	3,943	17,557	38,539
Recognized as revenue	(15,742)	(2,642)	(2,964)	(14,123)	(35,471)
Balance					
March 31, 2018	5,908	235	3,786	10,934	20,863
Funds received during the year	13,980	3,686	2,862	13,083	33,611
Recognized as revenue	(16,620)	(3,363)	(3,281)	(14,134)	(37,398)
Balance, March 31, 2019	\$3,268	\$558	\$3,367	\$9,883	\$17,076

The Province of Ontario, through the Ministry of Economic Development, Job Creation and Trade, provides an annual operating grant to MaRS to develop and deliver programs as part of the Ontario Network of Excellence, a province-wide innovation system that supports the needs of entrepreneurs and emerging technology-based companies. These programs include advisory services, educational programs and the development of stronger talent, customer and capital networks for young Ontario companies. MaRS also develops and supports multi-stakeholder innovation initiatives. The Core Funding Agreement with the Province of Ontario has been in place since April 1, 2010 and has provided \$5,000 annually for a total of \$45,000 over the nine-year period ended March 31, 2019. MaRS has received a funding agreement extension to March 31, 2020 for a further \$3,500.

The Province of Ontario funded programs also include Studio Y, the Business Acceleration Program, EXCITE, Data Catalyst and Ontario Scale-Up Vouchers Program.

The Government of Canada, through the National Research Council of Canada, provides funding to MaRS that supports the Canada Accelerator and Incubator Program (CAIP). The program aims to establish a critical mass of business incubators and accelerators in Canada, capable of promoting a higher output of successful, innovative, high-growth small and medium-sized enterprises. The funding agreement with the Government of Canada has been in place since January 1, 2016 and contributed a maximum of \$6,109 for costs incurred by the organization over a three-year period ended March 31, 2019.

The programs supported by other funders include the MaRS Centre for Impact Investing and the MaRS Solutions Lab (note 13).

The partner payment programs include the Ontario Regional Innovations Centres (managed by the Business Acceleration Programs), Ontario Voucher and Growth Coach funding (managed by Ontario Scale-Up Vouchers Program), research funding (managed by the EXCITE program), travel assistance for firms enrolled in the CAIP program and wage subsidies for firms enrolled in the Student Work Integrated Learning Program.

13. Long-term restricted contributions

The organization has received long-term restricted contributions to support the MaRS Solutions Lab, a program dedicated to using new approaches to solve elusive societal problems. The agreement with the funders provide that both the contribution and the income derived from the contribution's investment are to be used to support the program over time. During the year the long-term restricted contribution increased by

MaRS Discovery District
Notes to Financial Statements
March 31, 2019

(in thousands of Canadian dollars, unless otherwise stated)

\$165 representing the net amount of investment income in excess of funds used by the program (2018 – decrease of \$135).

14. Internally restricted net assets

Internally restricted net assets represent investment in related parties, capital assets internally funded and amounts set aside for future capital and other special projects.

In fiscal 2019, the board approved a transfer of \$2,417 (2018 - \$5,950) from unrestricted to internally restricted net assets

15. Contingencies and commitments

As part of the new financing arrangement for the West Tower, MaRS has provided the Province of Ontario a pledge of its ownership of the units of Phase 2 Trust and an undertaking to deliver a charge on its beneficial interest in the MaRS Development Tower.

16. Changes in working capital balances

	2019	2018
Receivables and prepayments	\$33	\$(883)
Government receivables	828	(1,905)
Due from/to related parties	2,659	2,619
Accounts payable and accrued liabilities	1,128	118
Deferred revenue	83	103
Restricted contributions	(3,622)	2,933
	\$1,109	\$2,985

17. Risk management

The organization's activities expose it to a range of financial risks.

Credit risk

Credit risk is the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The organization minimizes its risk on cash and restricted cash by depositing the funds with a major Canadian commercial bank. The organization is exposed to credit risk in connection with accounts receivable from fee paying clients. This is minimized through continuous evaluation and monitoring of outstanding receivables and recording of an allowance for uncollectible accounts. Allowances for doubtful accounts are estimated based on past experience, specific risks associated with the client and other relevant information.

Liquidity risk

Liquidity risk is the risk the organization will not be able to meet its financial obligations as they come due. The organization derives a significant portion of its revenue from the Province of Ontario and Government of Canada, and other funders under agreements that cover only one to three years (see note 12). To manage liquidity risk, the organization actively monitors its operating requirements and works to increase the funding received from other services. The organization also has undrawn credit facilities available.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates or other prices, will effect the organization's income or the value of its financial instruments. The organization does not have any significant exposure to foreign exchange, interest rate or other pricing risk.

MaRS Discovery District
Notes to Financial Statements
March 31, 2019

(in thousands of Canadian dollars, unless otherwise stated)

18. Subsequent events

On April 9, 2019, the Board of Directors of MaRS VX approved a resolution to remove MaRS DD as the sole member of the organization, to be replaced by a new self-perpetuating Board of Directors. The resolution serves to provide MaRS VX with a new legal structure independent of MaRS DD.

On May 21, 2019, the Board of Directors of MaRS 101 Investments approved the sale of its 100% ownership of StandUp General Partner Inc. in exchange for a 10% interest in StandUp Capital Inc., the new General Partner of the StandUp Ventures LP (Fund).

19. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.