

MaRS Discovery District

Financial Statements
March 31, 2021



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, 2021 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, 2021;
- 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 significant accounting policies and other explanatory information.

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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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 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 24, 2021

MaRS Discovery District
Statement of Financial Position
As at March 31, 2021

(in thousands of Canadian dollars, unless otherwise stated)

	2021	2020
Assets		
Current assets		
Cash	\$5,137	\$8,634
Receivables and prepayments (note 4)	2,894	3,657
Government receivables	3,001	1,441
Due from related parties (note 5)	390	376
	<hr/>	<hr/>
	\$11,422	\$14,108
Long-term receivable	70	70
Investments (note 6)	1,131	1,094
Cash and investments (note 3)	15,000	15,000
Investment in related parties (note 7)	34,759	36,162
Capital assets (note 10)	107	198
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	\$62,489	\$66,632
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$4,332	\$4,831
Deferred revenue	1,575	926
Restricted contributions (note 12)	5,446	7,374
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	\$11,353	\$13,131
Long-term restricted contributions (note 13)	\$10,071	\$10,000
Net Assets		
Unrestricted	\$1,199	\$2,141
Internally restricted (note 14)	39,866	41,360
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	\$41,065	\$43,501
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	\$62,489	\$66,632

Contingencies (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, 2021

(in thousands of Canadian dollars, unless otherwise stated)

	2021	2020
Revenues		
Restricted provincial grants (note 12)	\$9,441	\$11,543
Restricted federal grants (note 12)	8,954	6,051
Professional fees	3,592	5,190
Restricted other grants and donations (note 12)	3,044	4,717
Sponsorship and partnership revenue	2,246	2,831
Events fees	-	1,802
Related party revenue (note 5)	984	713
Other income	420	545
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	28,681	33,392
Partner payments (note 12)	7,805	9,214
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	\$36,486	\$42,606
Expenses		
Employees and contractors	\$22,975	\$23,478
Program operating	2,036	5,046
Outsourced services	2,216	3,091
Rent expense (note 5)	2,075	2,819
Supplies	1,667	1,877
Administration and other	1,003	1,157
Amortization	66	759
	<hr/>	<hr/>
	32,038	38,227
Partner payments (note 12)	7,805	9,214
	<hr/>	<hr/>
	\$39,843	\$47,441
Net (loss) before equity pickup	(\$3,357)	(\$4,835)
Income of MaRS Phase 1 Investment Fund (note 7)	\$3,374	\$4,827
	<hr/>	<hr/>
Net income (loss) before the following	\$17	(\$8)
(Loss) of MaRS Phase 2 Investment Fund (note 7)	(2,453)	(1,875)
	<hr/>	<hr/>
Net (loss) for the year	(\$2,436)	(\$1,883)

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, 2021

(in thousands of Canadian dollars, unless otherwise stated)

	2021		
	Unrestricted	Internally restricted (note 14)	Total
Net assets – beginning of year	\$2,141	\$41,360	\$43,501
Net (loss) for the year	(2,436)	-	(2,436)
Inter-fund transfer (note 14)	1,494	(1,494)	-
Net assets – end of year	\$1,199	\$39,866	\$41,065

	2020		
	Unrestricted	Internally restricted (note 14)	Total
Net assets – beginning of year	\$1,863	\$43,521	\$45,384
Net (loss) for the year	(1,883)	-	(1,883)
Inter-fund transfer (note 14)	2,161	(2,161)	-
Net assets – end of year	\$2,141	\$41,360	\$43,501

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

MaRS Discovery District
Statement of Cash Flows
For the year ended March 31, 2021

(in thousands of Canadian dollars, unless otherwise stated)

	2021	2020
Cash provided by (used in)		
Operating activities		
Net (loss) for the year	(\$2,436)	(\$1,883)
Items not affecting cash		
Net equity pickup	(921)	(2,952)
Amortization of capital assets	66	759
Changes in working capital balances (note 16)	(794)	(8,068)
	<u>(\$4,085)</u>	<u>(\$12,144)</u>
Investing activities		
Distribution from related parties	\$600	\$1,336
Net change in long term deposits	-	(166)
Investment (note 6)	(37)	77
Capital asset proceeds	25	-
	<u>\$588</u>	<u>\$1,247</u>
(Decrease) in cash during the year	(\$3,497)	(\$10,897)
Cash – beginning of year	<u>\$8,634</u>	<u>\$19,531</u>
Cash – end of year	<u>\$5,137</u>	<u>\$8,634</u>

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

MaRS Discovery District

Notes to Financial Statements

March 31, 2021

(in thousands of Canadian dollars, unless otherwise stated)

1. Description of organization

MaRS Discovery District (MaRS or the organization) is 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, 2021

(in thousands of Canadian dollars, unless otherwise stated)

MaRS Discovery Enterprises Inc. (note 8)

MaRS holds a 100% investment in MaRS Discovery Enterprises Inc. (MDEI), an Ontario for-profit company. MDEI is an innovation hubs management services company that provides property management, project development and related services to Phase 1 Trust, Phase 2 Trust, and MaRS.

Related entities – investment and other

MaRS Investment Accelerator Fund Inc. (note 9)

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 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.; and, 100% of MaRS Catalyst Fund General Partner Inc.

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 owns 100% of the MaRS Catalyst Fund General Partner, which in turn is entitled to 50% of the distributions of the MaRS Catalyst Fund General Partner Inc. ("Catalyst G.P."). Catalyst G.P. is an Ontario for-profit company that acts as the general partner to the MaRS Catalyst Fund General Partner L.P. ("Catalyst G.P.L.P."). The Catalyst G.P.L.P. acts as the general partner to the MaRS Catalyst Fund L.P. The MaRS Catalyst Fund L.P. makes capital investments 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 best practices in business to solve social and environmental problems (note 6).

MaRS 101 Investments Inc.

MaRS holds 100% of MaRS 101 Investments Inc., an Ontario for-profit company that owns 10% of StandUp Distribution LP. StandUp Distribution LP. owns 1.16% of Capital in StandUp Ventures LP (Fund) which invests 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.

Sponsorship and partnership

Sponsorship and partnership revenue is recognized over the period of the agreement, 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.

MaRS Discovery District

Notes to Financial Statements

March 31, 2021

(in thousands of Canadian dollars, unless otherwise stated)

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 income 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 fair value is recognized for capital assets when conditions indicate that a capital asset is impaired.

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, Phase 2 Trust, and MDEI, 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 and note 8).

For controlled, not-for-profit organizations, such as MaRS Investment Accelerator Fund Inc., MaRS has disclosed their financial information in note 9. For MDSI and MaRS 101 Investments Inc., 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. 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 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, and recoverability of investments and investments in related parties.

MaRS Discovery District
Notes to Financial Statements
March 31, 2021

(in thousands of Canadian dollars, unless otherwise stated)

3. Cash and investments

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).

Cash and investments	2021	2020
GIC	\$10,000	\$10,000
Bank deposits	5,000	5,000
	<u>\$15,000</u>	<u>\$15,000</u>

4. Other receivables and prepayments

	2021	2020
Receivables, net of allowance for doubtful accounts of \$ nil (2020 - \$164)	\$2,233	\$3,257
Prepaid expenses	661	400
	<u>\$2,894</u>	<u>\$3,657</u>

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 \$23 (2020 – \$96) 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 \$1,752 (2020 – \$2,424) during the year.

The organization provided services to Phase 2 Trust in the amount of \$90 (2020 - \$387), and to MDEI in the amount of \$471 (2020 - \$0), each in respect of support for information technology, accounting, and human resources.

MDEI provides facility and event management services to the organization. During the year ended March 31, 2021, MDEI charged \$447 (2020 - \$119) for those services to the organization.

The organization provided services to IAF in the amount of \$354 (2020 - \$188). The services provided included information technology support, accounting, human resources and marketing.

MaRS also provided management services to Catalyst G.P.L.P. in the amount of \$46 (2020 – \$42).

MaRS Discovery District
Notes to Financial Statements
March 31, 2021

(in thousands of Canadian dollars, unless otherwise stated)

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

	2021	2020
Current (non-interest bearing)		
Due from Phase 2 Trust	131	194
Due from IAF	139	11
Due from MaRS 101 Ventures Inc	8	17
Due from the Catalyst Fund	898	568
Due from MaRS Discovery Services Inc.	-	8
Due from MaRS Development Trust	2	5
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Receivable from related parties	1,178	803
	<hr/>	<hr/>
Due (to) Phase 1 Trust	\$585	\$308
Due (to) MaRS Discovery Enterprises Inc.	203	119
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Payable to related parties	788	427
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Total due from related parties	\$390	\$376
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6. Investments

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. No distribution was paid to MaRS during the year (2020 – nil).

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, 2021 MaRS has contributed \$625 (2020 - \$594) towards its investment in the Fund.

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:

MaRS Discovery District
Notes to Financial Statements
March 31, 2021

(in thousands of Canadian dollars, unless otherwise stated)

	Phase 1	Phase 2	Total
Balance March 31, 2019	\$2,756	\$34,649	\$37,405
Net income	4,827	(1,875)	2,952
Net assets transferred	159	-	159
Distributions	(4,354)	-	(4,354)
Balance March 31, 2020	3,388	32,774	36,162
Net income	3,374	(2,453)	921
Distributions	(2,324)	-	(2,324)
Balance, March 31, 2021	\$4,438	\$30,321	\$34,759

On January 1, 2020, MaRS transferred the Collaboration Centre business along with the related assets and liabilities to the Phase 1 Trust. The value of the equipment transferred, net of accumulated amortization was \$159.

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

	Dec 31, 2020	Dec 31, 2019
Assets	\$444,051	\$458,150
Liabilities	\$360,962	\$369,993
Unitholder's equity	\$83,089	\$88,157
Revenue	\$59,680	\$63,568
Expenses	\$62,608	\$63,388
Net income (loss)	(\$2,928)	\$180
Cash flow from operating activities	\$8,968	\$8,004
Cash flow from financing activities	(\$6,636)	(\$9,918)
Cash flow from investing activities	(\$2,883)	(\$487)

The assets, liabilities, unitholder's equity, revenues, expenses, net income 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, 2021	Mar 31, 2020
Assets	\$442,075	\$456,185
Liabilities	\$360,118	\$368,749
Unitholder's equity	\$81,956	\$87,436
Revenue	\$14,834	\$15,936
Expenses	\$15,286	\$15,994
Net income	(\$452)	(\$58)
Cash flow from operating activities	\$3,271	\$2,884
Cash flow from financing activities	(\$1,992)	(\$2,113)
Cash flow from investing activities	(\$373)	(\$1,984)

MaRS Discovery District
Notes to Financial Statements
March 31, 2021

(in thousands of Canadian dollars, unless otherwise stated)

8. MaRS Discovery Enterprises Inc.

MDEI is an Ontario for-profit company with a December fiscal year end. MDEI is an innovation hubs management services company that provides property management, project development and related services to Phase 1 Trust, Phase 2 Trust, and MaRS.

The assets, liabilities, shareholder's equity, revenues, expenses, net income and cash flows for the year ended December 31 and quarter ended March 31 for MDEI are as follows:

	Dec 31, 2020	Dec 31, 2019
Assets	\$416	\$22
Liabilities	\$417	-
Shareholder's equity	(\$1)	\$22
Revenue	\$4,470	-
Expenses	\$4,493	\$321
Net loss	(\$23)	(\$321)
Cash flow from operating activities	\$242	-
Cash flow from financing activities	-	-
Cash flow from investing activities	-	-
	Mar 31, 2021	Mar 31, 2020
Assets	\$500	\$324
Liabilities	\$554	\$246
Net assets	\$(54)	\$78
Revenue	\$1,206	\$1,141
Expenses	\$1,259	\$1,084
Net Income	(\$53)	\$57
Cash flow from operating activities	\$117	\$31
Cash flow from financing activities	-	-
Cash flow from investing activities	-	-

9. 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.

MaRS Discovery District
Notes to Financial Statements
March 31, 2021

(in thousands of Canadian dollars, unless otherwise stated)

The assets and liabilities as at March 31 and the revenues, expenses, net operating income, net investing income accruing to others, and cash flows for the years ended March 31 for MaRS IAF are as follows:

	2021	2020
Assets	\$95,606	\$82,788
Liabilities	\$95,606	\$82,788
Operating revenue	\$2,637	\$2,404
Operating expenses	\$2,637	\$2,404
Net operating income	-	-
Net investing income accruing to others	15,302	1,860
Cash flow from operating activities	(\$2,178)	(\$2,649)
Cash flow from financing activities	-	-
Cash flow from investing activities	\$14,359	(\$3,328)

10. Capital assets

	2021		
	Cost	Accumulated Amortization	Net
Furniture and fixtures	\$1,837	\$1,811	\$26
Software	1,175	1,161	14
Leasehold improvements	153	86	67
	\$3,165	\$3,058	\$107
	2020		
	Cost	Accumulated Amortization	Net
Furniture and fixtures	\$1,837	\$1,787	\$50
Software	1,200	1,138	62
Leasehold improvements	153	67	86
	\$3,190	\$2,992	\$198

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, 2021 or 2020. 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.

MaRS Discovery District
Notes to Financial Statements
March 31, 2021

(in thousands of Canadian dollars, unless otherwise stated)

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.

	Province of Ontario	Government of Canada	Other funders	Partner payments	Total
Balance					
March 31, 2019	3,268	558	3,367	9,883	17,076
Funds received during the year	9,243	6,385	3,672	2,523	21,823
Recognized as revenue	(11,543)	(6,051)	(4,717)	(9,214)	(31,525)
Balance					
March 31, 2020	968	892	2,322	3,192	7,374
Funds received during the year	9,525	8,906	3,588	5,297	27,316
Recognized as revenue	(9,441)	(8,954)	(3,044)	(7,805)	(29,244)
Balance, March 31, 2021	\$1,052	\$844	\$2,866	\$684	\$5,446

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 a total of \$52,000 over the eleven-year period ended March 31, 2021. MaRS has received a funding agreement extension to March 31, 2022 for \$2,500.

The Province of Ontario funded programs also include the Business Acceleration Program and Ontario Scale-Up Vouchers Program.

The Government of Canada, through the Federal Economic Development Agency for Southern Ontario, provides funding to MaRS that supports the Regional Economic Growth Through Innovation Program. The program aims to advance innovation in strategic sectors of the economy, strengthen SMEs innovation capacity, and foster increased collaboration to support the development of early stage business growth. The funding agreement with the Government of Canada has been in place since March 20, 2019 and will contribute a maximum of \$17,503 for costs incurred by the organization over a five-year period ended December 31, 2023.

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

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The partner payment programs include the Ontario Regional Innovations Centres (managed by the Business Acceleration Programs), and Ontario Voucher and Growth Coach funding (managed by Ontario Scale-Up Vouchers 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 provides 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 contributions had investment income of \$71 (2020 – investment income of \$181).

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 2021, \$1,494 of internally restricted funds were transferred to unrestricted net assets (2020 - \$2,161 transferred to internally restricted).

15. Contingencies

As part of the 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

	2021	2020
Receivables and prepayments	\$763	(\$731)
Government receivables	(1,560)	786
Due from/to related parties	1,710	3,574
Accounts payable and accrued liabilities	(499)	(1,198)
Deferred revenue	649	(963)
Restricted contributions	(1,857)	(9,536)
	<u>(\$794)</u>	<u>(\$8,068)</u>

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. The organization's exposure to credit risk in connection with government receivables is not considered material.

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

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Canada, and other funders under agreements that cover only one to five 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 affect 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 price risk.