

MaRS Discovery District

Financial Statements
March 31, 2016



June 9, 2016

Independent Auditor's Report

To the Board of Directors of MaRS Discovery District

We have audited the accompanying financial statements of MaRS Discovery District, which comprise the statements of financial position as at March 31, 2016 and 2015 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of MaRS Discovery District as at March 31, 2016 and 2015 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.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 20 to the financial statements, which describes restatement of prior year period.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

MaRS Discovery District
Statement of Financial Position
As at March 31, 2016

(in thousands of Canadian dollars, unless otherwise stated)

	2016	2015 restated (note 20)
Assets		
Current assets		
Cash (note 3)	\$5,130	\$4,490
Restricted cash (note 3)	13,270	21,920
Receivables and prepayments (note 4)	2,771	1,790
Due from related parties (note 5)	389	547
	<hr/> 21,560	<hr/> 28,747
Due from related parties (note 5)	337	332
Investments (note 6)	590	90
Restricted cash (note 3)	8,429	7,554
Investment in related party (note 7)	33,102	21,460
Capital assets (note 10)	76,831	79,999
	<hr/> \$140,849	<hr/> \$138,182
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$6,118	\$6,115
Loans and mortgages payable (note 11)	3,849	4,078
Restricted contributions (note 12)	12,951	19,876
	<hr/> 22,918	<hr/> 30,069
Loans and mortgages payable (note 11)	15,398	16,101
Deferred capital contributions (note 13)	53,813	56,617
	<hr/> \$92,129	<hr/> \$102,787
Net Assets		
Unrestricted	\$3,418	\$3,178
Investment in capital assets and related party	36,873	24,663
Restricted endowment (note 14)	8,429	7,554
	<hr/> \$48,720	<hr/> \$35,395
	<hr/> \$140,849	<hr/> \$138,182

Contingencies and commitments (note 16)

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, 2016

(in thousands of Canadian dollars, unless otherwise stated)

	2016	2015 restated (note 20)
Revenues		
Rental	\$10,078	\$10,675
Restricted provincial grants (note 12)	17,235	15,606
Restricted donations, sponsorships and other grants (note 12)	5,457	4,253
Amortization of deferred capital contributions (note 13)	2,804	2,757
Other fees and interest	2,085	1,555
Event and services fees	1,665	1,743
	<hr/> 39,324	<hr/> 36,589
Partner payments (note 12)	8,526	9,740
	<hr/> \$47,850	<hr/> \$46,329
Expenses		
Employees and contractors	\$15,917	\$15,354
Property operating	6,854	6,024
Program operating	5,842	4,549
Amortization	4,810	4,975
Outsourced services	2,864	2,928
Supplies	1,444	963
Administration and governance	696	494
Interest	589	627
	<hr/> 39,016	<hr/> 35,914
Partner payments (note 12)	8,526	9,740
	<hr/> \$47,542	<hr/> \$45,654
Excess of revenues over expenses for the year	\$308	\$675
Income (loss) of related party (note 7)	12,142	(7,401)
	<hr/> 12,450	<hr/> (6,726)
Net income (loss) for the year	<hr/> \$12,450	<hr/> (\$6,726)

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, 2016

(in thousands of Canadian dollars, unless otherwise stated)

				2016
	Unrestricted	Capital assets and investment in related party	Restricted endowment	Total
Net assets – beginning of year	\$3,178	\$24,663	\$7,554	\$35,395
Net income for the year	308	12,142	-	12,450
Endowment contributions (note 14)	-	-	875	875
Capital distribution from related party (note 6)	500	(500)	-	-
Change in capital assets	(568)	568	-	-
Net assets – end of year	\$3,418	\$36,873	\$8,429	\$48,720
				2015
				restated (note 20)
	Unrestricted	Capital assets and investment in related party	Restricted endowment	Total
Net assets – beginning of year	\$7,606	\$26,961	\$5,689	\$40,256
Net income (loss) for the year	675	(7,401)	-	(6,726)
Endowment contributions (note 14)	-	-	1,865	1,865
Change in capital assets	407	(407)	-	-
Reclassification, investment in related party	(510)	510	-	-
Cash contributed to related party (note 7)	(5,000)	5,000	-	-
Net assets – end of year	\$3,178	\$24,663	\$7,554	\$35,395

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

MaRS Discovery District
Statement of Cash Flows
For the year ended March 31, 2016

(in thousands of Canadian dollars, unless otherwise stated)

	2016	2015 restated (note 20)
Cash provided by (used in)		
Operating activities		
Net income (loss) for the year	\$12,450	(\$6,726)
Items not affecting cash		
(Income) loss of related party	(12,142)	7,401
Amortization of capital assets	4,810	4,975
Amortization of deferred capital contributions	(2,804)	(2,757)
Changes in working capital balances (note 17)	(7,750)	(8,263)
	<u>(\$5,436)</u>	<u>(\$5,370)</u>
Financing activities		
Receipt of endowment (note 14)	\$875	\$1,865
Repayment of loans and mortgages (note 11)	(932)	(913)
	<u>(\$57)</u>	<u>\$952</u>
Investing activities		
Net change in restricted cash	\$7,775	\$6,440
Additions to capital assets	(1,642)	(898)
Investment in related party (note 7)	-	(5,000)
	<u>\$6,133</u>	<u>\$542</u>
Increase (decrease) in cash during the year	\$640	(\$3,876)
Cash – beginning of year	\$4,490	\$8,366
Cash – end of year	\$5,130	\$4,490
Supplementary disclosure:		
Contribution of capital assets to related party (note 7)	-	\$23,351
Receipt of investment from related party (note 6)	\$500	

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

MaRS Discovery District

Notes to Financial Statements

March 31, 2016

(in thousands of Canadian dollars, unless otherwise stated)

1. Description of organization

MaRS Discovery District (MaRS or the organization) 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. 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 scale and diffuse innovation through collaborative initiatives that open markets and create new solutions for start-ups. MaRS administers partner payment grants on behalf of the Province of Ontario by providing flow-through grant funding.

Real estate operations of the MaRS Centre building, located at 101 College Street in Toronto, Ontario, include tenant and collaboration centre rental operations, the net contribution from which supports the organization's core programs.

Related entities

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

In 2011, MaRS became the sole unitholder and sole beneficiary of the MaRS Phase 2 Investment Trust (Phase 2 Trust) and the 100% shareholder of MaRS Phase 2 Inc. (Phase 2 Inc.). On August 26, 2015, the University of Toronto acquired a 20% interest in Phase 2 Trust reducing MaRS's interest to 80%.

Phase 2 Trust's purpose is to further the MaRS vision through the development and management of the MaRS Centre Phase 2 building (West Tower), a 20-storey state-of-the-art laboratory and office building situated at the corner of University Avenue and College Street in Toronto, Ontario. The West Tower and the adjacent MaRS Centre Buildings will combine to become a world-class convergence centre dedicated to improving commercial outcomes from Canada's science, technology and social innovations. The West Tower was financed through a loan from Ontario Infrastructure and Lands Corporation (Infrastructure Ontario) which was transferred by Infrastructure Ontario to the Ministry of Research and Innovation (MRI) in March of 2015. As part of the financing arrangement for the West Tower, MaRS has provided a limited recourse guarantee backed by a third-ranking assignment on its land and building.

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 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 incorporated on May 16, 2013. MaRS VX operates the Social Venture Exchange (SVX) under the regulations of the Ontario Securities Commission.

MaRS Development Trust

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), situated at the corner of College and Elizabeth Streets in Toronto, Ontario, 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

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(in thousands of Canadian dollars, unless otherwise stated)

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 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. These investee companies participated in the JOLT program, an education and mentoring program that was offered by MaRS. MaRS 101 Ventures Inc. is an Ontario for-profit company that acts as the general partner to JOLT Fund L.P. MaRS Discovery Enterprises Inc., is an Ontario for-profit company that holds a 10.5% investment in Cogniciti Inc.

MaRS Catalyst General Partner Inc.

MaRS Catalyst General Partner Inc. (Catalyst GP), is a wholly-owned Ontario for-profit corporation that was incorporated on March 1, 2016 to act as the General Partner for the MaRS Catalyst Fund L.P. (Catalyst Fund). The Catalyst Fund will make 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 does not have a financial interest in the Catalyst Fund.

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

Rental revenue

The organization retains substantially all of the benefits and risks of ownership of its income-producing properties and, therefore, accounts for leases with its tenants as operating leases. Rental revenue includes all amounts earned from tenants under lease agreements, including property tax and operating cost recoveries, parking income and incidental income. The organization reports base rental revenue on a straight-line basis, whereby the total amount of cash to be received under a lease is recognized in income in equal periodic amounts over the term of the lease. The amount by which straight-line rental revenue exceeds or is lower than base rents collected in accordance with the lease agreements is included in other receivables and prepayments.

Contributions

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 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. Externally restricted endowment contributions are recognized as direct increases in net assets when recorded in the accounts.

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

Other

Event and service fees are recognized when the services are provided. Sponsorship revenue is recognized over the sponsorship period. Restricted interest income, including endowment interest income, is deferred and recognized as revenue in the year in which the related expenses are incurred. Unrestricted interest income is recognized as revenue when earned.

MaRS Discovery District

Notes to Financial Statements

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(in thousands of Canadian dollars, unless otherwise stated)

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:

Building	30 years
Building improvements	5 years
Equipment under capital lease	3 years
Furniture and fixtures	5-10 years
Equipment	2-10 years
Software and network equipment	3-5 years

Tenant improvements

Renovations made by the organization related to space being leased to tenants are capitalized as building improvements and included in capital assets on the statement of financial position. The costs are amortized on a straight-line basis over the estimated useful life of the renovations.

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.

Investments

For controlled, profit-oriented subsidiaries, such as Phase 2 Inc. and Phase 2 Trust, MaRS has elected not to consolidate and 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 elected not to consolidate but 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.

MaRS Discovery District
Notes to Financial Statements
March 31, 2016

(in thousands of Canadian dollars, unless otherwise stated)

3. Cash and restricted cash

Cash represents cash in the bank and savings accounts without restrictions. Restricted cash comprises cash in the bank and savings accounts that is restricted for future use to fund restricted program grant obligations (note 12) and cash held for endowment net assets (note 14).

4. Receivables and prepayments

	2016	2015
Tenant, grants and other receivables net of allowance for doubtful accounts of \$666 (2015 - \$690)	\$2,270	\$1,355
Prepaid expenses	467	315
Tenant improvements and straight-line rent, net of accumulated amortization of \$346 (2015 - \$336)	34	120
	\$2,771	\$1,790

5. Related party transactions and balances

The following amounts were due from related parties, recorded at the exchange amount, at the end of the year.

	2016	2015
Current (non-interest bearing)		
Due from Phase 2 Trust (i)	\$36	\$184
Due from IAF (ii)	320	338
Due from MaRS VX (iii)	33	25
	\$389	\$547
Non-current		
Subordinated loan due from MaRS VX (iii)	\$70	\$70
Loan due from MDSI (iv)	267	262
	\$337	\$332

(i) During the year, the organization provided services to Phase 2 Trust in the amount of \$307 (2015 - \$844) for information technology support, accounting, human resources and project management. The organization received building property management services from Phase 2 Trust in the amount of \$602 (2015 - \$88) during the year.

(ii) During the year, the organization provided services to IAF in the amount of \$310 (2015 - \$329). The services provided included rent, information technology support, market intelligence, accounting, human resources and other general and administrative expenses.

(iii) During the year, the organization paid an operating fee of \$450 (2015 - \$140) to MaRS VX to operate the SVX and provided services to MaRS VX in the amount of \$148 (2015 - \$95). The services provided included accounting and other general and administrative expenses.

MaRS made 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

MaRS Discovery District
Notes to Financial Statements
March 31, 2016

(in thousands of Canadian dollars, unless otherwise stated)

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.

- (iv) The loan due from MDSI bears interest at 2% per annum and has a repayment date of June 2017.

6. Investments

Cogniciti Inc.

MaRS holds directly a 3% 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 86.5% interest in Cogniciti.

Triphase Accelerator Limited Partnership

MaRS holds a 4% interest (carried at cost of \$500) in Triphase Accelerator Limited Partnership (Triphase). This investment was received in August 2015 through a capital distribution from Phase 2 Trust. 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. It attempts to achieve this result through careful product selection, study design and execution, with support from world-class scientists, clinicians and business professionals in Canada, the United States and Europe. MaRS is entitled to receive distributions at an annual rate of 8% when declared by the General Partner of Triphase. No distributions have been declared.

7. Investment in related party

The organization's interests in Phase 2 Inc. and Phase 2 Trust are accounted for using the equity method with a continuity of the investment as follows:

	2016	2015 restated (note 20)
Balance, beginning of year	\$21,460	\$510
Income (loss) of related party	12,142	(7,401)
Capital distribution (note 6)	(500)	-
Cash contribution	-	5,000
Contribution of land	-	23,351
Balance, end of year	\$33,102	\$21,460

MaRS and Phase 2 Trust do not have coterminous year-ends. The income (loss) of Phase 2 Trust reported above is for Phase 2 Trust's fiscal year ended December 31st.

Until August 25, 2016, MaRS was the sole unitholder of Phase 2 Trust and during that period recorded 100% of the loss of Phase 2 Trust. On August 26, 2016, the University of Toronto became a 20% unitholder in Phase 2 Trust through the contribution of \$31,000. The dilution of MaRS's ownership to 80% resulted in an accounting gain of \$22,038 which has been included in the income (loss) of related party on the Statement of Operations. Subsequent to August 26, 2016, MaRS has recorded 80% of the loss of Phase 2 Trust.

In March 2015, Phase 2 Trust, MaRS and the Province of Ontario finalized a refinancing plan for Phase 2 Trust and the West Tower. As part of this agreement, MaRS provided a cash capital contribution of \$5,000 as well as the land, valued at its carrying value of \$23,351, that the West Tower is built on.

MaRS Discovery District
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March 31, 2016

(in thousands of Canadian dollars, unless otherwise stated)

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

	Dec 31, 2015	Dec 31, 2014 restated (note 20)
Assets	\$343,054	\$223,543
Liabilities	\$301,677	\$230,434
Unitholder's equity	\$41,377	(\$6,891)
Revenue	\$17,701	\$11,123
Expenses	\$28,284	\$18,524
Cash flow from operating activities	(\$3,721)	(\$9,958)
Cash flow from financing activities	\$103,130	\$34,827
Cash flow from investing activities	(\$76,985)	(\$24,341)

During the period January 1, 2016 to March 31, 2016, Phase 2 Trust had revenue of \$5,598, expenses of \$7,556, cash flow from operating activities of (\$1,407), cash flow from financing activities of (\$1,743) and cash flow from investing activities of (\$1,955). At March 31, 2016, Phase 2 Trust had assets of \$337,860, liabilities of \$298,441, and unitholder's equity of \$39,419.

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. The IAF administers the investment of up to \$500 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. The IAF also provides a comprehensive platform of resources, people, connections and funding that entrepreneurs and innovators can access to launch their new ventures.

The 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 the 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:

	2016	2015
Assets	\$57,912	\$50,882
Liabilities	\$57,912	\$50,882
Operating revenue	\$2,357	\$2,325
Operating expenses	\$2,357	\$2,325
Cash flow from operating activities	(\$546)	(\$140)
Cash flow from financing activities	-	-
Cash flow from investing activities	\$4,514	(\$2,264)

MaRS Discovery District
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(in thousands of Canadian dollars, unless otherwise stated)

9. MaRS VX

MaRS VX operates the Social Venture Exchange (SVX). The SVX, operating under the regulations of the Ontario Securities Commission, is Canada's first online, private investment platform connecting impact ventures and funds seeking investment to impact investors looking for debt and equity investment opportunities. The platform allows investors to search for and connect with ventures and funds that have been screened and reviewed for social and environmental impact, finances, management and governance and their investment offering. The ventures may include non-profits, co-operatives and for-profit corporations in sectors ranging from clean technology and sustainable food to health care and affordable housing. Investor funds do not flow through MaRS VX.

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:

	2016	2015
Assets	\$220	\$178
Liabilities	\$172	\$113
Net assets	\$48	\$65
Revenue	\$484	\$316
Expenses	\$501	\$263
Cash flow from operating activities	\$79	(\$102)
Cash flow from financing activities	-	-
Cash flow from investing activities	(\$52)	(\$42)

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Notes to Financial Statements
March 31, 2016

(in thousands of Canadian dollars, unless otherwise stated)

11. Loans and mortgages payable

The organization has the following amounts owing under its credit facilities:

	2016	2015
Mortgage	\$16,101	\$16,783
Term loan	3,146	3,396
	<hr/>	<hr/>
	\$19,247	\$20,179
Less: current portion	3,849	4,078
	<hr/>	<hr/>
Long-term portion	\$15,398	\$16,101
	<hr/>	<hr/>

The mortgage bears interest at 3.0%, calculated semi-annually and amortized over 25 years. It is due November 2017. The mortgage is secured by a first-ranking mortgage on the land and building, a first-ranking assignment of all rents and leases arising and a first-ranking general security agreement, whereby the bank holds all the assets of the organization as security until the loan is repaid.

Principal repayments for the mortgage over the next two years are as follows:

2017	\$703
2018	\$15,398

The term loan bears interest at prime plus 0.25%, calculated semi-annually and amortized over 20 years. It is renewed annually in October. The term loan is secured by a general security agreement and a second mortgage in the amount of \$10,000 on the land and building.

An additional unused revolving loan in the amount of \$5,000 is available for use, with no amounts drawn at March 31, 2016 (2015 – nil).

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(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 provincial grants from the Province of Ontario and restricted donations and other grants from philanthropic donors and other funders, such as the Government of Canada. MaRS also administers partner payment programs on behalf of the Province of Ontario. These programs provide flow-through funding to the recipients.

	Province of Ontario	Other funders of MaRS programs	Partner payments	Total
Balance, March 31, 2014	\$18,792	\$1,602	\$6,237	\$26,631
Funds received during the year	12,100	3,927	6,817	22,844
Recognized as revenue	(15,606)	(4,253)	(9,740)	(29,599)
Balance March 31, 2015	15,286	1,276	3,314	19,876
Funds received during the year	12,079	6,181	6,033	24,293
Recognized as revenue	(17,235)	(5,457)	(8,526)	(31,218)
Balance, March 31, 2016	\$10,130	\$2,000	\$821	\$12,951

The Province of Ontario, through MRI, 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 \$30,000 over the six-year period ended March 31, 2016. MaRS has received a commitment for a funding agreement extension to March 31, 2017 for a further \$5,000.

The Province of Ontario funded programs also include Studio Y, the Business Acceleration Program, the Youth Business Acceleration Program, the Advance Energy Centre, EXCITE and Data Catalyst.

The programs support by other funders include the MaRS Centre for Impact Investing and the MaRS Solutions Lab.

The partner payment programs include the Ontario Regional Innovations Centres (managed by the Business Acceleration Programs noted above), the Premier's Summit Award and medical research funding (managed by the EXCITE program).

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(in thousands of Canadian dollars, unless otherwise stated)

13. Deferred capital contributions

The organization was founded by leaders from Canada's academic, business and scientific communities. The College of Founders was established in 2001 and consists of individuals and corporations who made philanthropic donations of \$13,734 in order to provide the financial foundation required to implement the organization's vision. Contributions were also received from Ontario funders (Government of Ontario \$36,000, Ontario Innovation Trust \$10,000 and Toronto Biotechnology Commercialization Centre \$8,925) and from the Government of Canada (\$20,000). These funds were used to purchase capital assets.

	College of Founders	Ontario Funders	Government of Canada	Total
Balance, March 31, 2014	\$5,191	\$39,794	\$14,389	\$59,374
Amortization during the year	(238)	(1,852)	(667)	(2,757)
Balance March 31, 2015	4,953	37,942	13,722	56,617
Amortization during the year	(238)	(1,899)	(667)	(2,804)
Balance, March 31, 2016	\$4,715	\$36,043	\$13,055	\$53,813

14. Restricted endowment

The organization has received endowment gifts to support the MaRS Solutions Lab, a program dedicated to using new approaches to solve elusive societal problems. Interest earned on the endowment funds are transferred to restricted contributions (note 12) for use by the program.

15. Support from donors

The organization receives funding from donors and sponsors in the form of restricted one-time or multi-year grants (where the funds are spent for specific programs) and restricted endowment contributions (where the income earned on the contribution is spent for a specific program). Donor and sponsor funds received during the year:

	2016	2015
Restricted donations (note 12)	\$6,181	\$3,927
Endowment contributions (note 14)	875	1,865
	\$7,056	\$5,792

16. Contingencies and commitments

MaRS has provided a limited recourse guarantee backed by a third-ranking assignment on its land and building to the lender for the West Tower (notes 1 and 10).

The organization has a five-year maintenance agreement for network and telecommunication infrastructure from June 2014 to June 2019 of yearly amounts of \$177.

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17. Changes in working capital balances

	2016	2015
Receivables and prepayments	(\$981)	(\$324)
Due from/to related parties	153	(39)
Accounts payable and accrued liabilities	3	(1,145)
Restricted contributions	(6,925)	(6,755)
	(\$7,750)	(\$8,263)

18. Senior management remuneration

The salaries of the organization's senior management have been disclosed to the Province of Ontario, in accordance with the Public Sector Disclosure Act. The organization is subject to the Public Sector Disclosure Act by virtue of being a not-for-profit organization that received funding in excess of \$1,000 from the Government of Ontario.

19. 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 tenant leases or collaboration centre 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 tenant or 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 maturities of long-term debt are detailed in note 11. The organization derives a significant portion of its revenue from the Ontario government 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 real estate and 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 is exposed to interest rate risk with respect to its floating rate debt as interest costs may increase in the future. The organization does not have any significant exposure to foreign exchange or other pricing risk.

20. Restatement of prior year

The prior year comparative numbers have been restated to reflect a restatement of prior year results by Phase 2 Trust which increased its expenses and net loss by \$2,245. The impact of the restatement on the comparative figures is to increase the loss of related party on the Statement of Operations by \$2,245 and to decrease the Investment in related party on the Statement of Financial Position by \$2,245.