Financial statements of

THE KENSINGTON RESEARCH INSTITUTE

March 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Members of
THE KENSINGTON RESEARCH INSTITUTE

Opinion

We have audited the financial statements of The Kensington Research Institute ("the Institute"), which comprise the balance sheet as at March 31, 2021 and the statements of operations and net assets and cash flows for the year then ended, and a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Institute 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Institute in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

Those charged with governance are responsible for overseeing the Institute’s financial reporting process.

Auditors' Responsibility 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 Institute'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 doubt on the Institute'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 Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

TORONTO, Ontario
September 21, 2021

Licensed Public Accountants

THE KENSINGTON RESEARCH INSTITUTE
Balance Sheet

As at March 31	2021	2020
Assets		
Current		
Cash	**$ 1,872,626**	$ 1,688,018
Short term investments (note 3)	**120,053**	118,121
Accounts receivable	**50,000**	25,000
Public service body rebate receivable	**219**	519
Prepaid expenses	**3,082**	1,922
Due from The Kensington Eye Institute (note 4(a))	**50,000**	353,314
	$ 2,095,980	$ 2,186,894
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 4,712**	$ 2,000
Due to The Kensington Health Centre (note 4(a))	**75,000**	-
	79,712	2,000
Net Assets		
Unrestricted	**2,016,268**	2,184,894
	$ 2,095,980	$ 2,186,894

See accompanying notes to financial statements.

On behalf of the Board of Directors:

______________________Director

______________________Director

THE KENSINGTON RESEARCH INSTITUTE
Statement of Operations and Net Assets

Year ended March 31	**2021**	2020
Revenue		
Donations	**$ 150,000**	$ 150,000
Investment income	**13,397**	36,621
Grant from The Kensington Eye Institute	**-**	200,000
	163,397	386,621
Expenses		
Office and administrative	**75,192**	312
Insurance	**4,336**	3,510
Professional fees	**2,495**	3,014
	82,023	6,836
Excess of revenue over expense for the year before grants	**81,374**	379,785
Grants to The Kensington Eye Institute	**250,000**	134,835
Excess (deficiency) of revenue over expense for the year	**(168,626)**	244,950
Net assets, beginning of year	**2,184,894**	1,939,944
Net assets, end of year	**$ 2,016,268**	$ 2,184,894

See accompanying notes to financial statements.

THE KENSINGTON RESEARCH INSTITUTE

Statement of Cash Flows

Year ended March 31	**2021**	2020
Operating activities		
Cash received from donations	**$ 125,000**	$ 125,000
Cash received from investments	**13,397**	36,621
Cash paid to vendors	**(5,172)**	(7,322)
Cash distributed as grants	**53,314**	(54,680)
Net cash provided by operating activities	**186,539**	99,619
Investing activities		
Cash used to purchase investments	**$ (1,931)**	$ (2,491)
Increase in cash	**184,608**	97,128
Cash, beginning of year	**1,688,018**	1,590,890
Cash, end of year	**$ 1,872,626**	$ 1,688,018

See accompanying notes to financial statements.

1 Organization

The Kensington Research Institute ("the Institute") was incorporated without share capital by letters patent on January 4, 2008. The Institute is a registered charity under the Income Tax Act (Canada) and accordingly is exempt from income taxes.

The Institute is dedicated to providing health-related research, services and educational programs and materials as well as other academic and teaching resources pertaining to medical and surgical eye care, including specifically the education of medical students, physicians, surgeons nursing staff, technologists and other paramedical personnel.

Effective October 1, 2019, the Institute, The Kensington Health Centre, The Kensington Eye Institute, and The Second Mile Club of Toronto ("SMC") are controlled by a common Board of Directors. Effective March 17, 2021, SMC appointed an independent Board of Directors and as a result the SMC is no longer under common control.

The Kensington Health Foundation is a related party because it conducts fundraising activities on behalf of the Institute.

Certain directors may serve on more than one Board of the related organizations.

The assets, liabilities and operating activities of the related corporations are excluded from the Institute's financial statements.

2 Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Cash

Cash includes cash on deposit with a financial institution.

(b) Investments

Investments in guaranteed investment certificates ("GICs") are measured at amortized cost.

(c) Revenue Recognition

(i) Contributions

The Institute follows the deferral method of accounting for contributions which include donations and grants.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Grants and donations received and restricted for the purchase of capital assets, are deferred and amortized into income at the same rate as the associated capital asset is amortized.

(ii) Investment income

Investment income comprises interest from cash and investments and is recognized on an accrual basis.

2 Significant accounting policies (continued)

(d) Financial instruments

(i) Measurement

The Institute initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Institute subsequently measures all its financial assets and financial liabilities at amortized cost.

(ii) Impairment

At the end of each reporting period, the Institute assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. Objective evidence of impairment includes observable data that comes to the attention of the Institute. When there is an indication of impairment, the Institute determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset. There are no indications of impairment as at March 31, 2021.

(e) Management estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the current period. Significant estimates include the impairment of accounts receivable.

All estimates are reviewed periodically and adjustments are made to the statement of operations and net assets as appropriate in the year they become known.

3 Short term investments

Short term investments comprise a redeemable GIC bearing interest at 0.96% (2020 - 2.10%) and maturing on November 5, 2021 (2020 - November 5, 2020).

4 Related party transactions

All related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(a) Due to / from related organization

The Institute has recorded $50,000 (2020 - $353,314) as due from The Kensington Eye Institute and $75,000 (2020 - $nil) as due to The Kensington Health Centre. The amounts due to / from related organization's are non-interest bearing, unsecured, and due on demand.

(b) Grants

The Institute was awarded a grant in the amount of $nil (2020 - $200,000) by The Kensington Eye Institute to fund research projects.

The Board of Directors of the Institute has approved research grants of $250,000 (2020 - $134,835) to The Kensington Eye Institute.

(c) Shared corporate services cost

The Institute paid corporate services costs totaling $75,000 (2020 - $nil) to the Kensington Health Centre. The expense has been recorded in office and administrative expense.

5 Financial instruments

The Institute is exposed to various risks through its financial instruments. The following analysis provides a measure of the Institute's risk exposure and concentrations. The financial instruments and the nature of the risks to which they may be subject are as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Institute is exposed to credit risk through its cash.

The Institute's bank account is held at one financial institution. Funds on deposit exceed the maximum amount insured.

Liquidity risk

Liquidity risk is the risk that the Institute will not be able to meet a demand for cash or fund its obligations as they come due. The Institute meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations and anticipating investing and financing activities.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk. The Institute is not exposed to currency risk or other price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Institute's cash and short term investments include amounts on deposit with financial institutions that earn interest at market rates. The Institute manages its exposure to the interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis.

The primary objective of the Institute with respect to its investments is to ensure the security of principal amounts invested, provide for a high degree of liquidity, and achieve a satisfactory investment return.

The Institute is not exposed to other price risk.

Changes in risk

There have been no significant changes to the Institute's risk exposures in financial instruments from the prior year.