

Financial Statements of

**MICHAEL SMITH FOUNDATION FOR
HEALTH RESEARCH**

(operating as Michael Smith Health Research BC)

And Independent Auditor's Report thereon

Year ended March 31, 2025



KPMG LLP

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INDEPENDENT AUDITOR'S REPORT

To the Board of Michael Smith Foundation for Health Research

Opinion

We have audited the financial statements of Michael Smith Foundation for Health Research (operating as Michael Smith Health Research BC) (the "Organization") which comprise:

- the statement of financial position as at March 31, 2025
- 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 notes to the financial statements, including a summary of significant accounting policies.

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2025, 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 auditor's report.

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.

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



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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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.

Report on other legal and regulatory requirements

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

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
July 4, 2025

MICHAEL SMITH FOUNDATION FOR HEALTH RESEARCH

(operating as Michael Smith Health Research BC)

Statement of Financial Position

March 31, 2025, with comparative information for 2024

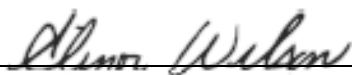
	2025	2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,266,931	\$ 9,512,444
Contributions and other amounts receivable	2,411,595	4,188,405
Short-term investments (note 3)	67,119,029	58,492,597
Prepaid expenses and deposits	167,493	184,024
	<u>76,965,048</u>	<u>72,377,470</u>
Long-term investments (note 3)	44,743,206	80,881,945
Capital assets (note 4)	398,091	529,758
Assets for implementation of software service (note 5)	168,405	208,037
	<u>\$ 122,274,750</u>	<u>\$ 153,997,210</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,284,055	\$ 1,286,273
Grants payable	161,932	780,030
	<u>1,445,987</u>	<u>2,066,303</u>
Deferred contributions (note 6):		
Contributions for expenses of future periods	112,661,416	141,505,225
Deferred capital contributions	566,496	737,795
Sponsored projects	4,281,686	6,368,722
	<u>117,509,598</u>	<u>148,611,742</u>
Net assets:		
Restricted for endowment purposes (note 3)	2,266,539	2,266,539
Unrestricted	1,052,626	1,052,626
	<u>3,319,165</u>	<u>3,319,165</u>
Commitments (note 7)		
	<u>\$ 122,274,750</u>	<u>\$ 153,997,210</u>

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

Approved on behalf of the Foundation:



Director



Director

MICHAEL SMITH FOUNDATION FOR HEALTH RESEARCH

(operating as Michael Smith Health Research BC)

Statement of Operations

Year ended March 31, 2025, with comparative information for 2024

	2025	2024
Revenue:		
Contributions recognized in current year (note 6(a))	\$ 36,769,990	\$ 33,494,476
Contributions recognized in current year – sponsored projects (note 6(c))	5,319,310	5,813,298
Amortization of deferred capital contributions (note 6(b))	244,257	231,026
Other income	1,638,797	1,495,131
	43,972,354	41,033,931
Expenses:		
Programs and projects:		
Scholar program	8,662,501	8,060,966
Program and project delivery expenses	6,672,930	6,038,520
Sponsored project expenses	5,319,310	5,813,298
Partnership awards	6,912,970	5,171,091
Health professional investigator program	3,990,000	4,073,264
Research trainee program	4,350,567	3,993,994
Other programs and projects	1,412,322	2,274,697
Implementation science team program	-	497,599
Convening and collaborating program	813,721	319,715
Innovation to commercialization program	658,794	240,135
Reach program	409,116	220,315
Knowledge translation projects	1,330	73,631
	39,203,561	36,777,225
Administration:		
General operating (note 1)	4,524,536	4,025,680
Amortization of capital assets	244,257	231,026
	4,768,793	4,256,706
	43,972,354	41,033,931
Excess of revenue over expenses	\$ -	\$ -

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

MICHAEL SMITH FOUNDATION FOR HEALTH RESEARCH

(operating as Michael Smith Health Research BC)

Statement of Changes in Net Assets

Year ended March 31, 2025, with comparative information for 2024

March 31, 2025	Unrestricted	Restricted for endowment purposes	Total
Net assets, beginning of year	\$ 1,052,626	\$ 2,266,539	\$ 3,319,165
Excess revenue over expenses	-	-	-
Net assets, end of year	\$ 1,052,626	\$ 2,266,539	\$ 3,319,165

March 31, 2024	Unrestricted	Restricted for endowment purposes	Total
Net assets, beginning of year	\$ 1,052,626	\$ 2,266,539	\$ 3,319,165
Excess revenue over expenses	-	-	-
Net assets, end of year	\$ 1,052,626	\$ 2,266,539	\$ 3,319,165

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

MICHAEL SMITH FOUNDATION FOR HEALTH RESEARCH

(operating as Michael Smith Health Research BC)

Statement of Cash Flows

Year ended March 31, 2025, with comparative information for 2024

	2025	2024
Cash provided by (used in):		
Cash flows from operating activities:		
Excess of revenue over expenses	\$ -	\$ -
Items not affecting cash:		
Amortization of capital assets	149,309	168,964
Amortization of assets for implementation of software service	94,948	62,062
Amortization of deferred capital contributions	(244,257)	(231,026)
	-	-
Changes in non-cash working capital:		
Contributions and other amounts receivable	1,776,810	(357,426)
Prepaid expenses and deposits	16,531	(107,754)
Accounts payable and accrued liabilities	(2,218)	145,938
Grants payable	(618,098)	158,780
Contributions for expenses of future periods	(36,066,175)	(33,021,020)
Sponsored projects	(2,087,036)	(1,772,956)
Net cash provided by (used in) operating activities	(36,980,186)	(34,954,438)
Investing activities:		
Purchase of capital assets	(17,642)	(207,189)
Purchase of assets for implementation of software service	(55,316)	(139,422)
Purchase of short and long-term investments	(3,416,858)	(104,029,479)
Proceeds from sale of short and long-term investments	31,600,726	133,660,036
Investment income included in deferred contributions (note 6(a))	6,550,805	8,516,512
Net cash provided by (used in) investing activities	34,661,715	37,800,458
Financing activities:		
Deferred capital contributions allocated	72,958	346,611
Net cash provided by financing activities	72,958	346,611
Net increase (decrease) in cash	(2,245,513)	3,192,631
Cash and cash equivalents, beginning of year	9,512,444	6,319,813
Cash and cash equivalents, end of year	\$ 7,266,931	\$ 9,512,444

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

MICHAEL SMITH FOUNDATION FOR HEALTH RESEARCH

(operating as Michael Smith Health Research BC)

Notes to Financial Statements

Year ended March 31, 2025

1. Nature of operations:

The Michael Smith Foundation for Health Research is incorporated under the *Societies Act* (British Columbia) and is a registered charity under the *Income Tax Act* (Canada), under the legal name Michael Smith Foundation for Health Research. Accordingly, the Organization is exempt from income and capital taxes and is able to issue donation receipts for income tax purposes.

The Organization's principal purpose is to:

- foster talent development so British Columbia can develop, attract, and retain the very best health researchers;
- support provincial health system priorities, health system transformation and innovation;
- build capacity for research uptake; and
- optimize provincial health research investment through partnerships.

The Organization primarily receives funding from the Province of British Columbia (the "Province") to conduct a range of peer-reviewed grant programs and other projects. In addition, the Organization receives funding from other sources, including the Canadian Institute of Health Research ("CIHR"), to undertake various projects consistent with its purpose.

2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations and incorporate the following significant accounting policies:

(a) Cash and cash equivalents:

Cash and cash equivalents consist of cash and highly liquid short-term investments, which are defined as those having a maturity of less than three months from the date of acquisition.

(b) Revenue recognition:

The Organization follows the deferral method of accounting for contributions, including grants and donations from other sources.

Funding received from the Province, along with the future investment income, will be directed to the granting of funds to eligible recipients, the support of strategic initiatives and the payment of the Organization's operating and capital expenditures. These restricted contributions, along with any additional related grants and the investment income thereon, are initially deferred and subsequently recognized as revenue in the year in which the related expenses are incurred by the Organization. Restricted contributions used for the purchase of capital assets are deferred and amortized to revenue at a rate corresponding with the amortization rate for the related capital assets.

MICHAEL SMITH FOUNDATION FOR HEALTH RESEARCH

(operating as Michael Smith Health Research BC)

Notes to Financial Statements

Year ended March 31, 2025

2. Significant accounting policies (continued):

(b) Revenue recognition (continued):

The Organization also receives various other restricted contributions through sponsored project grants, contracts or matching contributions from other Organizations such as CIHR that are deferred and recognized as revenue in the year in which the related expenses are incurred by the Organization.

Endowment contributions are recorded as a direct increase in net assets. Realized and unrealized investment income earned on endowment investments and restricted for specific purposes is deferred and recognized as revenue in the year in which the related expenses are incurred by the Organization.

Unrestricted contributions are recognized as revenue in the current period if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted investment income is recognized as revenue when earned.

(c) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Repairs and maintenance costs are charged to expense. Other capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Period
Computer software	3 years
Computer hardware	3 years
Website development	3 years
Office furniture	5 years
Office equipment	5 years
Leasehold improvements	Up to 10 years

(d) Financial instruments:

Financial instruments are initially measured at fair value. Subsequently, equity instruments quoted in an active market are measured at fair value. Other instruments are subsequently measured at amortized cost unless elected to be measured at fair value. The Organization has elected to carry its investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

MICHAEL SMITH FOUNDATION FOR HEALTH RESEARCH

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Notes to Financial Statements

Year ended March 31, 2025

2. Significant accounting policies (continued):

(d) Financial instruments (continued):

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

The Organization's financial instruments consist of cash, contributions and other amounts receivable, short-term and long-term investments, accounts payable and accrued liabilities and grants payable.

(i) Contributions and other amounts receivable are measured at amortized cost using the effective interest method and approximate their fair values due to the relatively short periods to maturity.

(ii) Investments:

(A) *Short-term investments* – include any term deposits, income funds, bonds or equities, with a term to maturity of less than one year. Short-term investments are measured at fair value with subsequent changes to fair value recorded as changes in deferred contributions and recognized as revenue when the related expenses are incurred.

(B) *Long-term investments* – include any term deposits, bonds and equities with a term to maturity of more than one year or that are related to permanent endowments. Long-term investments are measured at fair value with subsequent changes in fair value recorded as changes in deferred contributions and recognized as revenue when the related expenses are incurred.

(iii) Financial liabilities such as accounts payable, grants payable and accrued liabilities are measured at amortized cost using the effective interest method

(e) Grants and awards:

Grants and awards approved by the Organization are recorded as expenses in the fiscal year that the expense is incurred, or the obligation arises. Amounts are usually paid in quarterly instalments in advance.

MICHAEL SMITH FOUNDATION FOR HEALTH RESEARCH

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Notes to Financial Statements

Year ended March 31, 2025

2. Significant accounting policies (continued):

(f) Volunteer services:

The Organization gratefully acknowledges the significant contribution it receives in the form of services from a large number of volunteer peer reviewers, committee members and task force participants. Such services, while essential to the Organization's operations, are not recorded in these financial statements because of the difficulty of determining their fair value.

(g) Employee pension plan:

The Organization's employees belong to the Municipal Pension Plan, which is a multi-employer contributory pension plan. The Organization records its pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets, and costs to individual employers participating in the plan.

(h) Measurement uncertainty:

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

3. Investments:

	2025	2024
Income funds	\$ 26,914,622	\$ 25,160,591
Term deposits	79,000,000	109,000,000
Equities	5,947,613	5,213,951
	111,862,235	139,374,542
Less: short-term	67,119,029	58,492,597
Long-term	\$ 44,743,206	\$ 80,881,945

MICHAEL SMITH FOUNDATION FOR HEALTH RESEARCH

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Notes to Financial Statements

Year ended March 31, 2025

3. Investments (continued):

Investments in term deposits have maturity dates ranging from fiscal 2026 to fiscal 2028. The long-term portion consists of deposits with maturity dates beyond the next fiscal year and the holdings that are related to the endowment fund.

At March 31, 2025, the market value of endowment fund investments was \$5,098,592 (2024 - \$4,711,170) based on a book value of net asset endowment contributions of \$2,266,539 (2024 - \$2,266,539).

4. Capital assets:

			2025	2024
	Cost	Accumulated amortization	Net book value	Net book value
Computer software	\$ 951,868	\$ 951,183	\$ 685	\$ 25,416
Website development	80,527	62,884	17,643	2,358
Computer hardware	418,017	408,660	9,357	22,513
Office furniture and equipment	245,234	216,516	28,718	33,260
Leasehold improvements	712,438	370,750	341,688	446,211
	\$ 2,408,084	\$ 2,009,993	\$ 398,091	\$ 529,758

5. Assets for implementation of software service:

			2025	2024
	Cost	Accumulated amortization	Net book value	Net book value
Assets for implementation of software service	\$ 344,150	\$ 175,745	\$ 168,405	\$ 208,037

During the year ended March 31, 2025, included in general operating expense on the Statement of Operations is licensing fees incurred of \$34,380 (2024 - \$32,164) and amortization of assets for implementation of software service of \$94,948 (2024 - \$62,062).

MICHAEL SMITH FOUNDATION FOR HEALTH RESEARCH

(operating as Michael Smith Health Research BC)

Notes to Financial Statements

Year ended March 31, 2025

6. Deferred contributions:

Deferred contributions represent unspent grants or contract resources restricted for specific purposes and projects, and include expenses for operating, as well as capital purposes.

(a) Deferred contributions relating to expenses of future periods:

	2025	2024
Balance, beginning of year	\$ 141,505,225	\$ 166,009,734
Increases during the year:		
Federal and other grants	749,886	895,843
Investment income	6,550,805	8,516,512
Unrealized gain (loss) on investments	698,448	(75,777)
	149,504,364	175,346,312
Amounts recognized as revenue during the period	(36,769,990)	(33,494,476)
Amounts applied toward capital assets and assets for implementation of software service purchased during the period	(72,958)	(346,611)
Balance, end of year	\$ 112,661,416	\$ 141,505,225

(b) Deferred capital contributions:

	2025	2024
Balance, beginning of year	\$ 737,795	\$ 622,210
Allocation of deferred capital contributions	72,958	346,611
Amounts amortized to revenue	(244,257)	(231,026)
Balance, end of year	\$ 566,496	\$ 737,795

MICHAEL SMITH FOUNDATION FOR HEALTH RESEARCH

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Notes to Financial Statements

Year ended March 31, 2025

6. Deferred contributions (continued):

(c) Deferred contributions relating to sponsored projects:

	Balance, Beginning of the year	Contributions and donation to revenue	Amounts recognized	Balance, end of the year
2025				
BC Influenza Vaccine Program	\$ 52,423	\$ -	\$ -	\$ 52,423
Health Services and Policy Research Support	55,484	-	-	55,484
BC Nursing Research Initiative	18,426	-	-	18,426
COVID-19	38,989	-	-	38,989
Children and Youth with Special Needs	240,270	-	-	240,270
Interior Health Capacity Building	3,748	-	-	3,748
Human Papillomavirus 2	237,236	-	-	237,236
Alzheimer's Disease Research	83,631	-	-	83,631
BC SUPPORT Unit	5,638,515	3,232,274	(5,319,310)	3,551,479
	\$ 6,368,722	\$ 3,232,274	\$ (5,319,310)	\$ 4,281,686

	Balance, Beginning of the year	Contributions and donation to revenue	Amounts recognized	Balance, end of the year
2024				
BC Influenza Vaccine Program	\$ 52,423	\$ -	\$ -	\$ 52,423
Health Services and Policy Research Support	55,484	-	-	55,484
BC Nursing Research Initiative	18,426	-	-	18,426
COVID-19	208,869	-	(169,880)	38,989
Children and Youth with Special Needs	381,620	-	(141,350)	240,270
Interior Health Capacity Building	3,748	-	-	3,748
Human Papillomavirus 2	237,236	-	-	237,236
Alzheimer's Disease Research	83,631	-	-	83,631
BC SUPPORT Unit	7,100,241	4,040,342	(5,502,068)	5,638,515
	\$ 8,141,678	\$ 4,040,342	\$ (5,813,298)	\$ 6,368,722

MICHAEL SMITH FOUNDATION FOR HEALTH RESEARCH

(operating as Michael Smith Health Research BC)

Notes to Financial Statements

Year ended March 31, 2025

7. Commitments:

(a) Grant commitments:

Through a variety of targeted granting programs, the Organization commits the majority of its funds to providing peer-reviewed research awards or strategic projects aimed at fulfilling the Organization's mandate. Some of the commitments made through these granting programs and projects have terms that span more than one fiscal year. Such grants have ongoing eligibility criteria and, consequently, grant commitments are expensed in the period that the expense is incurred or the obligation arises.

The following table summarizes grant commitments approved by the Organization, by major grant program or project, funded by the unrestricted deferred contributions from note 5(a):

	Grant commitments for the years ending March 31		
	2026	2027 and thereafter	Total
Grant programs:			
Scholar program	\$ 2,550,000	\$ 90,000	\$ 2,640,000
Research trainee program	2,346,812	4,792	2,351,604
Health Professional investigator program	3,495,000	105,000	3,600,000
Innovation to commercialization program	165,071	-	165,071
Partnership awards	652,835	145,833	798,668
	\$ 9,209,718	\$ 345,625	\$ 9,555,343

(b) Grant commitments - Sponsored projects:

Through a variety of specialized granting programs, the Organization also may commit significant amounts of project funding to providing peer-reviewed research awards aimed at fulfilling each project's specific mandate. Some of the commitments made through these granting programs have terms that span more than one fiscal year. Such grants have ongoing eligibility criteria and, consequently, grant commitments are expensed in the period that the expense is incurred or the obligation arises.

There are no significant commitments for sponsored projects.

(c) Office space and equipment lease commitments:

The Organization rents two office spaces. The space at 1285 West Broadway is under a long-term lease that expires October 31, 2028, and provides for an additional five-year extension at the option of the Organization. The space at 1367 West Broadway is under a long-term lease that expires October 31, 2026, and provides for an additional five-year extension at the option of the Organization.

MICHAEL SMITH FOUNDATION FOR HEALTH RESEARCH

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Notes to Financial Statements

Year ended March 31, 2025

7. Commitments (continued):

(c) Office space and equipment lease commitments (continued):

The Organization has future minimum lease payments under these operating leases as follows.

Years ending March 31:	
2026	\$ 795,462
2027	707,471
2028	564,721
2029	333,673
	<hr/>
	\$ 2,401,327

8. Financial risk management:

(a) Credit risk:

Credit risk is the risk of financial loss to the Organization if a counterparty to a financial instrument fails to meet its contractual obligations. The Organization's cash and investments in any term deposits, bonds, income funds and equities are subject to credit risk. The maximum exposure to credit risk on these instruments is their carrying value. The Organization manages the risk by retaining professional investment counselors who act in accordance with the Organization's investment policies. These policies include asset mix guidelines and minimum investment grade levels for each asset class. The Organization has deposited cash with reputable financial institutions, from which management believes the risk of loss to be remote.

Other credit risks can arise from holding receivables. The Organization has minimal accounts receivable, other than from government and, as such, the credit risk is minimal.

(b) Liquidity risk:

Liquidity risk is the risk that the Organization will not be able to meet its financial obligations as they fall due. The majority of the Organization's assets are held as short-term investments that can be readily liquidated and, therefore, the Organization's liquidity risk is considered minimal. In addition, the Organization aims to retain a sufficient cash position to manage liquidity. There has been no change to the risk exposure from the prior year.

MICHAEL SMITH FOUNDATION FOR HEALTH RESEARCH

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Notes to Financial Statements

Year ended March 31, 2025

8. Financial risk management (continued):

(c) Market risk:

Market risk is the risk that changes in market prices, as a result of changes in foreign exchange rates, interest rates and equity prices, will affect the Organization's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while earning an acceptable return.

(i) Currency risk:

Investments in foreign securities are exposed to currency risk due to fluctuations in foreign exchange rates.

The Organization holds minimal investments in foreign currencies; as such, the risk is minimal.

(ii) Interest rate risk:

Interest rate risk relates to the risk that changes in interest rates will affect the fair value or future cash flows of financial instruments held by the Organization. The Organization is invested in term deposits and income funds that may be impacted by changes in the market interest rate.

The Organization manages interest rate risk on term deposits by choosing instruments that have fixed rates of return and terms that will match the projected cash flow requirements. Interest rate risk on income funds is managed through professional investment counselors, by holding instruments that have a high liquidity in the marketplace or by choosing instruments with fixed terms that align with projected cash flow requirements.

9. Employee pension plan:

The Organization and its employees contribute to the Municipal Pension Plan (jointly trustee pension). The Boards of Trustees, representing plan members and employers, is responsible for administering the pension plan, including investing assets and administering benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2023, the plan has about 256,000 active members and approximately 129,000 retired members.

MICHAEL SMITH FOUNDATION FOR HEALTH RESEARCH

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Notes to Financial Statements

Year ended March 31, 2025

9. Employee pension plan (continued):

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The latest actuarial valuation for the Municipal Pension Plan as at December 31, 2021, indicated a \$3,761 million funding surplus for basic pension benefits. The next valuation will be as at December 31, 2024, with results available later in 2025.

The Organization paid \$714,775 (2024 - \$648,382) for employer contributions to the plan during the year ended March 31, 2025.

10. Remuneration:

(a) Remuneration of Directors:

The Directors of the Organization are not remunerated.

(b) Employees and contractors for services that are individually greater than \$75,000:

During the year ended March 31, 2025, the Organization paid total remuneration of \$6,103,603 (2024 - \$5,290,967) to employees and contractors for services whose individual remuneration was at least \$75,000.