Financial Statements of

DIGITAL RESEARCH ALLIANCE OF CANADA

And Independent Auditor's Report thereon

Year ended March 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Digital Research Alliance of Canada

Opinion

We have audited the financial statements of Digital Research Alliance of Canada (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2023
- the statement of operations and 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 Entity as at March 31, 2023, and its results of 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 Entity 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 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the 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.

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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 Entity'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 Entity'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 Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 27, 2023

DIGITAL RESEARCH ALLIANCE OF CANADA

Statement of Financial Position

March 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash	$ 6,405,903	$ 7,441,777
Accounts receivable	139,002	108,567
HST recoverable	86,727	90,118
Prepaid expenses	266,193	119,379
	6,897,825	7,759,841
Capital assets (note 4)	98,656	–
	$ 6,996,481	$ 7,759,841
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,382,101	$ 1,417,198
Current portion of lease inducement	22,606	–
Advances from projects	50,320	–
Deferred funding (note 2)	2,437,007	5,121,311
	4,892,034	6,538,509
Deferred lease inducement	119,480	–
Net assets	1,984,967	1,221,332
Commitments (note 5)		
Contingent liabilities (note 7)		
	$ 6,996,481	$ 7,759,841

See accompanying notes to financial statements.

On behalf of the Board:

DIGITAL RESEARCH ALLIANCE OF CANADA

Statement of Operations and Changes in Net Assets

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Ministry of Innovation, Science and Industry/Economic Development Canada funding	$ 31,511,921	$ 11,247,353
Membership fees	618,500	635,000
Interest income	220,721	40,518
Other revenue	156,156	39,056
	32,507,298	11,961,927
Expenses:		
Program expenses:		
Salaries and benefits	14,643,792	1,884,187
Services	3,096,879	–
Equipment	648,036	33,107
Maintenance and repairs	1,118,007	1,129
General and administration	595,162	283,277
	20,101,876	2,201,700
Operating, general and administration:		
Salaries	7,437,973	5,815,740
Benefits	1,376,210	853,573
Services	2,391,199	2,247,694
Transportation and communication	318,514	85,371
Supplies	77,918	42,358
Miscellaneous expenses	17,826	916
Amortization of capital assets	22,147	–
	11,641,787	9,045,652
Total expenses	31,743,663	11,247,352
Excess of revenue over expenses	763,635	714,575
Net assets, beginning of year	1,221,332	506,757
Net assets, end of year	$ 1,984,967	$ 1,221,332

See accompanying notes to financial statements.

DIGITAL RESEARCH ALLIANCE OF CANADA

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 763,635	$ 714,575
Items not involving cash:		
Amortization of capital assets	22,147	–
Amortization of deferred lease inducement	(25,072)	–
Net change in non-cash working capital:		
Accounts receivable	(30,435)	(108,567)
HST recoverable	3,391	117,855
Prepaid expenses	(146,814)	(68,909)
Accounts payable and accrued liabilities	964,903	859,643
Advances from projects	50,320	–
Deferred funding	(2,684,304)	2,988,647
	(1,082,229)	4,503,244
Investing activities:		
Purchase of capital assets	(120,803)	–
Financing activities:		
Increase in deferred lease inducement	167,158	–
Increase (decrease) in cash	(1,035,874)	4,503,244
Cash, beginning of year	7,441,777	2,938,533
Cash, end of year	$ 6,405,903	$ 7,441,777

See accompanying notes to financial statements.

The Digital Research Alliance of Canada (the “Organization”) is a not-for-profit organization that was federally incorporated on August 28, 2019 as a member-based organization with an agreement between Innovation, Science and Economic Development Canada (ISED) and the Organization.

The Organization’s mandate is to play a critical role in helping advance the establishment of a researcher-focused, accountable, agile, strategic and sustainable Digital Research Infrastructure ecosystem for Canadian researchers.

1. Significant accounting policies:

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

(a) Basis of presentation:

The Organization follows the deferral method of accounting for contributions for not-for-profit organizations.

(b) Revenue recognition:

Contributions and funding designated for the Organization’s mandate are recorded as deferred funding and are recognized as revenue when the related expenditure is incurred. Unrestricted contributions are recorded as revenue in the year received.

Membership fees are recognized in the period to which they relate, providing collection is reasonably assured.

(c) Expenses:

In the statement of operations, the Organization presents its expenses by function. Expenses are recognized in the year incurred and recorded in the function to which they are directly related.

(d) Capital assets:

Capital assets are comprised of leasehold improvements, which are recorded at cost. When a leasehold improvement no longer contributes to the Organization’s ability to provide services, its carrying amount is written down to its residual value.

Leasehold improvements are amortized over the life of the lease.

(e) Deferred lease inducements:

Deferred lease inducements for leasehold improvements consists of allowances granted to the Organization for the leased offices. The contributions are amortized on a straight-line basis over the term of the lease.

1. Significant accounting policies (continued):

(f) Employee benefit plans:

The Organization is a member of the Colleges of Applied Arts and Technology Pension Plan, which is a multi-employer, defined benefit pension plan. The Organization has adopted defined contribution plan accounting principles for this plan because insufficient information is available to apply defined benefit plan accounting principles.

(g) Use of estimates:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and accordingly, require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from these estimates. The significant estimates in the financial statements include the collectability of receivables, deferred contributions, and the amount of certain accrued liabilities in the year they become known.

2. Deferred funding:

The Organization received funding from ISED as follows:

	2023	2022
Balance, beginning of year	$ 5,121,311	$ 2,132,664
Contributions received	28,827,617	14,236,000
Recognized as revenue	(31,511,921)	(11,247,353)
Balance, end of year	$ 2,437,007	$ 5,121,311

3. Contribution agreement:

The Contribution Agreement between ISED and the Organization under the Digital Research Infrastructure Contribution Program was signed on October 31, 2019. The purpose of this agreement is to fund the Organization’s activities. The original end date of March 31, 2021 was subsequently extended to March 31, 2023. Subsequent to year-end, an extension to March 31, 2025 was approved by the Board of Directors and submitted to ISED.

The Contribution Agreement between ISED and the Organization under the Dedicated Computing Capacity for Artificial Intelligence Contribution Program was signed on September 28, 2022. The purpose of this agreement is to fund dedicated computing capacity for artificial intelligence researchers, in support of the Pan-Canadian Artificial Intelligence Strategy. The agreement ends on March 31, 2027.

4. Capital assets:

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Leasehold improvements	$ 120,803	$ 22,147	$ 98,656	$ –

5. Commitments:

Under the terms of the operating lease agreement, the Organization is required to make the following payments over the next 4 years:

2024	$ 152,651
2025	167,861
2026	169,244
2027	169,244
	$ 659,000

6. Employee benefit plans

Starting on May 1, 2021, the Organization became members of the College of Applied Arts and Technology ("CAAT") Pension Plan, which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the CAAT. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the highest five consecutive years prior to retirement, termination or death.

The Organization does not recognize any share of the Plan's pension surplus or deficit as insufficient information is available to identify the Organization's share of the underlying pension assets and liabilities. The regulatory surplus of the Plan as at December 31, 2022 was $4.71 billion and the most recent actuarial valuation filed with pension regulators was as at January 1, 2023.

Employer contributions to the Plan during the year by the Organization amounted to $503,576 (2022 – 332,552) and are included in benefits expense on the Statement of Operations.

7. Contingent liabilities:

The Organization is involved in an employment related litigation matter, the outcome of which is not determinable at this time. Any liability or payments resulting from this matter will be recognized in the year when the outcome is reasonably determinable, and the amounts involved can be estimated.

8. Financial risks:

The Organization's financial instruments consist of cash, accounts receivable, and accounts payable and accrued liabilities.

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to this risk relating to its cash and accounts receivable. The Organization holds its cash accounts with a federally regulated chartered bank who are insured by the Canadian Deposit Insurance Corporation.

The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. At year-end, there were no amounts allowed for in accounts receivable.

(b) Liquidity risk:

Liquidity risk is the risk that the Organization will not be able to meet all cash outflow obligations as they come due. The Organization mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and keeping accounts payable current throughout the year. The Organization is continuously monitoring its cash flow in order to maintain its liquidity moving forward.

(c) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors.

(i) Foreign currency risk:

Foreign currency risk results from the fluctuation and volatility of exchange rates. The Organization is not exposed to foreign exchange risk.

(ii) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates. The Organization is not subject to significant interest rate risk.

(iii) Other price risk:

Other price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Organization is not exposed to other price risk.

9. Comparative information:

Certain 2022 comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.