

Financial Statements of

**DIGITAL RESEARCH ALLIANCE
OF CANADA**

And Independent Auditor's Report thereon

Year ended March 31, 2024



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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, 2024
- 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, 2024, 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.

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.



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- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 26, 2024

DIGITAL RESEARCH ALLIANCE OF CANADA

Statement of Financial Position

March 31, 2024, with comparative information for 2023

	2024	2023
Assets		
Current assets:		
Cash	\$ 15,447,697	\$ 6,405,903
Accounts receivable	16,500	139,002
HST recoverable	111,130	86,727
Prepaid expenses	811,730	266,193
Net advance to projects	784,913	–
	<u>17,171,970</u>	<u>6,897,825</u>
Capital assets (note 4)	74,495	98,656
	<u>\$ 17,246,465</u>	<u>\$ 6,996,481</u>

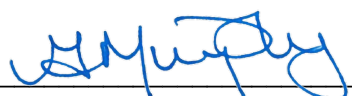
Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 945,429	\$ 2,382,101
Current portion of lease inducement	37,816	22,606
Net advances from projects	–	50,320
Deferred funding (note 2)	12,944,751	2,437,007
	<u>13,927,996</u>	<u>4,892,034</u>
Deferred lease inducement	81,664	119,480
Net assets	3,236,805	1,984,967
Commitments (note 5)		
	<u>\$ 17,246,465</u>	<u>\$ 6,996,481</u>

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, 2024, with comparative information for 2023

	2024	2023
Revenue:		
Government funding (note 3)	\$ 37,165,049	\$ 31,511,921
Membership fees	605,000	618,500
Interest income	639,148	220,721
Other revenue	79,331	156,156
	<u>38,488,528</u>	<u>32,507,298</u>
Expenses:		
Program expenses:		
Digital Research Infrastructure	23,003,542	20,101,876
Dedicated Computing Capacity for Artificial Intelligence	1,374,861	–
	<u>24,378,403</u>	<u>20,101,876</u>
Operating expenses:		
Salaries and benefits	5,686,060	5,578,521
Services	1,343,776	879,671
Transportation and communication	353,340	193,461
Supplies	29,693	17,034
Miscellaneous expenses	4,361	12,117
	<u>7,417,230</u>	<u>6,680,804</u>
Management and administration:		
Salaries and benefits	3,483,285	3,235,662
Services	1,667,629	1,511,528
Transportation and communication	225,032	125,053
Supplies	37,382	60,884
Miscellaneous expenses	3,568	5,709
Amortization of capital assets	24,161	22,147
	<u>5,441,057</u>	<u>4,960,983</u>
Total expenses	<u>37,236,690</u>	<u>31,743,663</u>
Excess of revenue over expenses	1,251,838	763,635
Net assets, beginning of year	1,984,967	1,221,332
Net assets, end of year	<u>\$ 3,236,805</u>	<u>\$ 1,984,967</u>

See accompanying notes to financial statements.

DIGITAL RESEARCH ALLIANCE OF CANADA

Statement of Cash Flows

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 1,251,838	\$ 763,635
Items not involving cash:		
Amortization of capital assets	24,161	22,147
Amortization of deferred lease inducement	(22,606)	(25,072)
Net change in non-cash working capital:		
Accounts receivable	122,502	(30,435)
HST recoverable	(24,403)	3,391
Prepaid expenses	(545,537)	(146,814)
Accounts payable and accrued liabilities	(1,436,672)	964,903
Net advances to/from projects	(835,233)	50,320
Deferred funding	10,507,744	(2,684,304)
	9,041,794	(1,082,229)
Investing activities:		
Purchase of capital assets	–	(120,803)
Financing activities:		
Increase in deferred lease inducement	–	167,158
Increase (decrease) in cash	9,041,794	(1,035,874)
Cash, beginning of year	6,405,903	7,441,777
Cash, end of year	\$ 15,447,697	\$ 6,405,903

See accompanying notes to financial statements.

DIGITAL RESEARCH ALLIANCE OF CANADA

Notes to Financial Statements

Year ended March 31, 2024

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.

DIGITAL RESEARCH ALLIANCE OF CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2024

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:

	2024	2023
Balance, beginning of year	\$ 2,437,007	\$ 5,121,311
Contributions received	47,672,793	28,827,617
Recognized as revenue	(37,165,049)	(31,511,921)
Balance, end of year	\$ 12,944,751	\$ 2,437,007

DIGITAL RESEARCH ALLIANCE OF CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2024

3. Government funding:

The two Contribution Agreements between ISED and the Organization under the Digital Research Infrastructure Contribution Program were signed on June 19, 2023 and June 30, 2023. The purpose of these agreements are to fund the Organization's activities. The agreements end on March 31, 2025.

The Contribution Agreement between ISED and the Organization under the Dedicated Computing Capacity for Artificial Intelligence Contribution Program was signed on September 28, 2022 and an amendment agreement was signed on January 18, 2023. 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.

The Partnership Agreement between National Research Council Canada ("NRC") and the Organization under the expansion of the Canadian Advanced Network for Astronomical Research program was signed on December 1, 2023. The purpose of this agreement is to develop digital research infrastructure to meet the needs of NRC's research community and the broader academic research community. The agreement ends on March 31, 2031.

4. Capital assets:

	Cost	Accumulated amortization	2024 Net book value	2023 Net book value
Leasehold improvements	\$ 120,803	\$ 46,308	\$ 74,495	\$ 98,656

Cost and accumulated amortization as at March 31, 2023 amounted to \$120,803 and \$22,147, respectively.

5. Commitments:

Under the terms of the operating lease agreement, the Organization is required to make the following payments over the next 3 years:

2025	\$ 167,861
2026	169,244
2027	169,244
	<hr/>
	\$ 506,349

DIGITAL RESEARCH ALLIANCE OF CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2024

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, 2023 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 \$508,211 (2023 - \$503,576) and are included in salaries and benefits expense on the Statement of Operations.

7. 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.

DIGITAL RESEARCH ALLIANCE OF CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2024

7. Financial risks (continued):

(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.

8. Comparative information:

Certain 2023 comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.