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**MENTAL HEALTH RESEARCH  
CANADA/ RECHERCHE EN SANTÉ  
MENTALE CANADA**

**FINANCIAL STATEMENTS**

**MARCH 31, 2020**

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## INDEPENDENT AUDITOR'S REPORT

To the Members of Mental Health Research Canada/ Recherche en Santé Mentale Canada

### Opinion

We have audited the financial statements of Mental Health Research Canada which comprise the statement of financial position as at March 31, 2020, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Mental Health Research Canada/Recherche en Santé Mentale Canada as at March 31, 2020 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 organization 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 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.

## INDEPENDENT AUDITOR'S REPORT (continued)

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 your 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.

### Other Matter

The financial statements of Mental Health Research Canada/ Recherche en Santé Mentale Canada as at and for the year ended March 31, 2019 were audited by another auditor who expressed a qualified opinion on those financial statements on June 14, 2019. The qualification related to the auditor's inability to satisfy themselves concerning the completeness of donation revenue.

*Pemylegion Chung LLP*

Chartered Professional Accountants  
Licensed Public Accountants

September 24, 2020  
Toronto, Ontario


**MENTAL HEALTH RESEARCH CANADA/ RECHERCHE EN SANTÉ MENTALE  
CANADA**


**STATEMENT OF FINANCIAL POSITION**

**AS AT MARCH 31, 2020**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Current assets		
Cash	\$ 619,549	\$ 241,920
Investments (note 4)	7,196,560	7,809,851
Accounts receivable	48,822	2,102
HST rebate recoverable	10,455	21,312
Prepaid expenses	<u>13,286</u>	<u>6,092</u>
	<u>\$ 7,888,672</u>	<u>\$ 8,081,277</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 15,003	\$ 27,787
Deferred contributions (note 5)	<u>235,000</u>	<u>57,000</u>
	<u>250,003</u>	<u>84,787</u>
Net assets		
Unrestricted	<u>7,638,669</u>	<u>7,996,490</u>
	<u>\$ 7,888,672</u>	<u>\$ 8,081,277</u>

Approved on behalf of the Board:

  
\_\_\_\_\_, Board Treasurer

  
\_\_\_\_\_, CEO, MHRC

see accompanying notes

# MENTAL HEALTH RESEARCH CANADA/ RECHERCHE EN SANTÉ MENTALE CANADA

## STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2020

	2020	2019
<b>REVENUE</b>		
Investment income (note 7)	\$ 128,463	\$ 435,366
Donations	63,291	20,828
Grants (note 8)	54,234	278,496
Other	<u>1,988</u>	<u>11,541</u>
	<u>247,976</u>	<u>746,231</u>
<b>EXPENSES</b>		
Salaries and benefits	376,834	273,957
Professional fees	71,737	80,255
Office and administration	55,521	154,364
Occupancy costs	30,977	35,825
Grants	30,000	-
Communications	23,485	22,972
Research	11,655	278,496
Insurance	4,430	9,528
Professional development	<u>1,158</u>	<u>-</u>
	<u>605,797</u>	<u>855,397</u>
<b>EXCESS OF EXPENSES OVER REVENUE FOR THE YEAR</b>	(357,821)	(109,166)
Net assets, beginning of year	<u>7,996,490</u>	<u>8,105,656</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 7,638,669</u>	<u>\$ 7,996,490</u>

see accompanying notes

**MENTAL HEALTH RESEARCH CANADA/ RECHERCHE EN SANTÉ MENTALE  
CANADA**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED MARCH 31, 2020**

	<b>2020</b>	<b>2019</b>
<b>OPERATING ACTIVITIES</b>		
Excess of expenses over revenue for the year	\$ (357,821)	\$ (109,166)
Add back non-cash items -		
Change in unrealized gains on investments	(120,596)	219,003
Net change in non-cash working capital items (see below)	<u>122,159</u>	<u>(254,686)</u>
Net cash used for operating activities	<u>(356,258)</u>	<u>(144,849)</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds from sale (purchase) of investments	733,887	(994,552)
Loss on disposal of capital assets	<u>-</u>	<u>3,176</u>
Net cash generated from (used for) investing activities	<u>733,887</u>	<u>(991,376)</u>
<b>NET INCREASE (DECREASE) IN CASH FOR THE YEAR</b>	377,629	(1,136,225)
Cash, beginning of year	<u>241,920</u>	<u>1,378,145</u>
<b>CASH, END OF YEAR</b>	<u>\$ 619,549</u>	<u>\$ 241,920</u>

Net change in non-cash working capital items:

Decrease (increase) in current assets-		
Accounts receivable	\$ (46,719)	\$ -
HST rebate recoverable	10,857	(2,259)
Prepaid expenses	(7,194)	3,529
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	(12,785)	22,540
Deferred contributions	<u>178,000</u>	<u>(278,496)</u>
	<u>\$ 122,159</u>	<u>\$ (254,686)</u>

see accompanying notes

# MENTAL HEALTH RESEARCH CANADA/ RECHERCHE EN SANTÉ MENTALE CANADA

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2020

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### 1. THE ORGANIZATION

Mental Health Research Canada/ Recherche en Santé Mentale Canada (the organization or MHRC) is incorporated under the Canada Not-for-Profit Corporations Act without share capital. The organization is exempt from income tax in Canada as a public foundation under the Income Tax Act (Canada).

The organization was formed as a result of the cessation of operations of the Ontario Mental Health Foundation (OMHF) on March 31, 2018. MHRC also assumed the remaining assets and certain commitments, such as operating leases from OMHF and offered employment contracts to the employees of OMHF. For the employees who accepted the employment contracts, their pension plans were transferred and continued under the organization.

The organization now has a similar but national mandate and aims to continue to promote the importance of mental health for Canadians, to prevent mental health illness and to improve diagnosis, treatment and rehabilitation by supporting the development of researchers and by funding relevant and high quality mental health research. The deficit in the current year was planned and approved by the Board of Directors. The deficit is the result of activities incurred to increase capacity and grow nationally.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant:

#### **Revenue recognition**

The principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

- i) The organization follows the deferral method of revenue recognition for contributions, which includes grants and donations. Contributions related to current expenses are recognized as revenue in the current year. Contributions received in the year for expenses to be incurred in the following fiscal year are recorded as deferred contributions.
- ii) Donated materials and services which are normally purchased by the organization are not recorded in the accounts.
- iii) Investment income includes interest, dividends and realized and unrealized gains and losses on investments. Interest income is recognized as revenue when earned. Transaction costs associated with the acquisition and disposal of investments are expensed as incurred.

# MENTAL HEALTH RESEARCH CANADA/ RECHERCHE EN SANTÉ MENTALE CANADA

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2020

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### 3. FINANCIAL INSTRUMENTS AND RELATED FINANCIAL RISKS

The organization records financial instruments, which include cash, investments, accounts receivable and accounts payable and accrued liabilities, initially recorded at fair value. Investments are subsequently measured at fair value based on an active market. All other financial instruments are recorded net of provisions for impairment in value.

The following are those financial instruments considered particularly significant and their related financial risks:

- i) The organization is exposed to interest rate risk with respect to its investments in fixed income investments and pooled funds that hold fixed income securities because the fair value of the underlying investments will fluctuate due to changes in market interest rates.
- ii) The organization is exposed to other price risk through changes in market prices (other than changes arising from interest rate risks) in connection with investments in pooled funds. This risk can be caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments trading in the market.
- iii) The organization is exposed to currency risk through fluctuations of foreign exchange rates and the degree of volatility of these rates. The organization is exposed to foreign currency exchange risk on investments held in U.S. and international equities.

The above risks are mitigated through investment diversification and management's close monitoring of the investment portfolio.

### 4. INVESTMENTS

Investments comprise the following:

	2020	2019
Fixed income	\$ 4,682,848	\$ 4,606,688
U.S. equities	1,066,359	1,068,797
International equities	721,580	771,630
Canadian equities	366,605	355,624
Cash and cash equivalents and term deposits	<u>359,168</u>	<u>1,007,112</u>
	<u>\$ 7,196,560</u>	<u>\$ 7,809,851</u>

### 5. PENSION PLAN

The organization participates in a defined benefit pension plan administered by the Healthcare of Ontario Pension Plan, which is a multi-employer contributory pension plan. This plan has been accounted for on a defined contribution basis as there is not sufficient information available to account for the plan as a defined benefit plan. The organization's contributions to the pension plan for the year ended March 31, 2020 amounted to \$26,884 (2019 - \$nil). The most recent actuarial valuation of the plan dated December 31, 2019 disclosed net assets available for benefits of \$94,102 million with pension obligations of \$73,547 million, resulting in a surplus of \$20,555 million.



# MENTAL HEALTH RESEARCH CANADA/ RECHERCHE EN SANTÉ MENTALE CANADA

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2020

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### 6. DEFERRED CONTRIBUTIONS

Continuity of deferred contributions for the year is as follows:

	2020	2019
Deferred contributions, beginning of year	\$ 57,000	\$ -
Restricted contributions received	232,234	335,496
Restricted contributions recognized as revenue	<u>(54,234)</u>	<u>(278,496)</u>
Deferred contributions, end of year	<u>\$ 235,000</u>	<u>\$ 57,000</u>

The deferred contribution balance of \$235,000 represents research grant funds that will be disbursed in the next fiscal year.

### 7. INVESTMENT INCOME

Investment income is as follows:

	2020	2019
Change in unrealized gains	\$ (120,596)	\$ 219,003
Interest, dividends and realized gains	<u>249,059</u>	<u>216,363</u>
	<u>\$ 128,463</u>	<u>\$ 435,366</u>

### 8. GRANT FUNDING

Grant funding recognized in the year was as follows:

	2020	2019
Ontario Ministry of Health and Long-Term Care	\$ 29,234	\$ 278,496
Schizophrenia Society of Ontario	15,000	-
Ontario Centre of Excellence	<u>10,000</u>	<u>-</u>
	<u>\$ 54,234</u>	<u>\$ 278,496</u>

As part of the cessation of operations of OMHF and in agreement with the Ministry of Health and Long-Term Care (MOHLTC), the organization administered a portion of funding received from the MOHLTC relating to the final funding installment payable to researchers from April 1, 2018 to March 31, 2020.

### 9. LEASE COMMITMENT

The organization leases office space in Toronto, Ontario. Minimum annual lease payments over the term of the lease, which expires on August 31, 2023, are as follows:

2021	13,698
2022	14,064
2023	14,320
2024	6,043

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# MENTAL HEALTH RESEARCH CANADA/ RECHERCHE EN SANTÉ MENTALE CANADA

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2020

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### 10. RETROSPECTIVE CHANGE IN ACCOUNTING POLICY

The organization retrospectively changed its accounting policy for recognizing contribution revenue to the deferral method from the restricted fund method. The accounting policy was changed in order to recognize revenue in the period in which the related expenses are incurred.

The result of the retrospective change in the revenue recognition policy on the comparative amounts as at March 31, 2019 and for the year ended is as follows:

- The restricted fund balance previously recorded as at March 31, 2019 has been reduced by \$57,000 and deferred contributions increased by \$57,000.
- The previously stated opening fund balance as at March 31, 2019 (and the opening net assets balance as at April 1, 2019) of \$8,441,152 has been restated to \$8,105,656.
- The excess of expenses over revenue for the year ended March 31, 2019 of \$387,662 as previously stated has been restated to \$109,166.
- There was no change to the operating and investing activities reported on the statement of cash flows for the year ended March 31, 2019.

### 11. PRIOR PERIOD RECLASSIFICATIONS

Certain amounts in the statement of operations for the year ended March 31, 2019 have been reclassified to conform with the current year's basis of financial statement presentation.

### 12. COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. An estimate of the financial impact of the pandemic on these financial statements is unknown and therefore no adjustments related thereto have been made.