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

FINANCIAL STATEMENTS

MARCH 31, 2021

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, 2021, 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, 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 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.

Pemylegion Chung LLP

Chartered Professional Accountants
Licensed Public Accountants

June 30, 2021
Toronto, Ontario

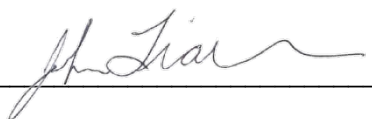
MENTAL HEALTH RESEARCH CANADA / RECHERCHE EN SANTÉ MENTALE CANADA


STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2021

	2021	2020
ASSETS		
Current assets		
Cash	\$ 234,796	\$ 619,549
Accounts receivable	18,000	48,822
HST rebate recoverable	18,761	10,455
Prepaid expenses and other	<u>31,794</u>	<u>13,286</u>
	303,351	692,112
Long-term investments (note 5)	<u>7,995,688</u>	<u>7,196,560</u>
	<u>\$ 8,299,039</u>	<u>\$ 7,888,672</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 41,954	\$ 15,003
Deferred contributions (note 6)	<u>225,952</u>	<u>235,000</u>
	<u>267,906</u>	<u>250,003</u>
Deferred contributions (note 6)	<u>135,000</u>	<u>-</u>
	<u>402,906</u>	<u>250,003</u>
<i>Commitments</i> (note 9)		
Net assets		
Unrestricted	<u>7,896,133</u>	<u>7,638,669</u>
	<u>\$ 8,299,039</u>	<u>\$ 7,888,672</u>

Approved on behalf of the Board:


_____, Director


_____, Director

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, 2021

	2021	2020
REVENUE		
Investment income (note 7)	\$ 793,591	\$ 128,463
Grants (note 8)	450,953	54,234
Donations	130,987	63,291
Other	<u>3,800</u>	<u>1,988</u>
	<u>1,379,331</u>	<u>247,976</u>
EXPENSES		
Personnel	489,617	376,834
Grants	327,239	30,000
Research	181,819	11,655
Professional fees	48,283	71,737
Occupancy costs	33,559	30,977
Communications	27,616	23,485
Office and administration	8,721	55,521
Insurance	5,013	4,430
Professional development	<u>-</u>	<u>1,158</u>
	<u>1,121,867</u>	<u>605,797</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	257,464	(357,821)
Net assets, beginning of year	<u>7,638,669</u>	<u>7,996,490</u>
NET ASSETS, END OF YEAR	<u>\$ 7,896,133</u>	<u>\$ 7,638,669</u>

see accompanying notes

MENTAL HEALTH RESEARCH CANADA / RECHERCHE EN SANTÉ MENTALE CANADA

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	\$ 257,464	\$ (357,821)
Add back non-cash items -		
Change in unrealized gains on investments	433,470	(120,596)
Net change in non-cash working capital items (see below)	<u>156,911</u>	<u>122,159</u>
Net cash generated from (used for) operating activities	847,845	(356,258)
INVESTING ACTIVITIES		
Proceeds from sale (purchase) of investments	<u>(1,232,598)</u>	<u>733,887</u>
NET INCREASE (DECREASE) IN CASH FOR THE YEAR	(384,753)	377,629
Cash, beginning of year	<u>619,549</u>	<u>241,920</u>
CASH, END OF YEAR	<u>\$ 234,796</u>	<u>\$ 619,549</u>

Net change in non-cash working capital items:

Decrease (increase) in current assets-		
Accounts receivable	\$ 30,822	\$ (46,719)
HST rebate recoverable	(8,306)	10,857
Prepaid expenses and other	(18,508)	(7,194)
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	26,951	(12,785)
Deferred contributions	<u>125,952</u>	<u>178,000</u>
	<u>\$ 156,911</u>	<u>\$ 122,159</u>

see accompanying notes

MENTAL HEALTH RESEARCH CANADA/ RECHERCHE EN SANTÉ MENTALE CANADA

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

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 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.

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.

3. 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, 2021 amounted to \$32,908 (2020 - \$26,884). 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, 2021

4. 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.

5. INVESTMENTS

Investments comprise the following:

	2021	2020
Fixed-income	\$ 4,806,695	\$ 4,682,848
U.S. equities	3,176,520	1,066,359
International equities	-	721,580
Canadian equities	-	366,605
Cash, cash equivalents and term deposits	<u>12,473</u>	<u>359,168</u>
	<u>\$ 7,995,688</u>	<u>\$ 7,196,560</u>

6. DEFERRED CONTRIBUTIONS

Continuity of deferred contributions for the year is as follows:

	2021	2020
Deferred contributions, beginning of year	\$ 235,000	\$ 57,000
Restricted grants received	576,905	232,234
Restricted grants recognized as revenue	<u>(450,953)</u>	<u>(54,234)</u>
Deferred contributions, end of year	<u>\$ 360,952</u>	<u>\$ 235,000</u>

MENTAL HEALTH RESEARCH CANADA/ RECHERCHE EN SANTÉ MENTALE CANADA

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

7. INVESTMENT INCOME

Investment income is as follows:

	2021	2020
Change in unrealized gains	\$ 433,470	\$ 91,102
Interest, dividends and realized gains	<u>360,121</u>	<u>37,361</u>
	<u>\$ 793,591</u>	<u>\$ 128,463</u>

8. GRANT REVENUE

Grant revenue recognized in the year was as follows:

	2021	2020
Ontario Centre of Excellence	\$ 170,000	\$ 10,000
Federal government	119,603	-
Stepped Care Solutions	100,000	-
Institute of Advancements in Mental Health (formerly Schizophrenia Society of Ontario)	30,000	15,000
Provincial governments	16,350	29,234
Universities	<u>15,000</u>	<u>-</u>
	<u>\$ 450,953</u>	<u>\$ 54,234</u>

9. COMMITMENTS

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

2022	\$ 14,064
2023	14,320
2024	6,043

Outstanding commitments relating to grants that will be funded by grantors as well as the organization's own resources are as follows:

2022	\$ 326,443
2023	135,000