

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

2018 FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Mental Health Research Canada / Recherche En Santé Mentale Canada,

We have audited the accompanying financial statements of Mental Health Research Canada / Recherche En Santé Mentale Canada, which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets, and cash flows for the period from date of incorporation, July 17, 2017 to March 31, 2018, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

In common with many not-for-profit organizations, Mental Health Research Canada / Recherche En Santé Mentale Canada derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Mental Health Research Canada / Recherche En Santé Mentale Canada. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the period from date of incorporation, July 17, 2017 to March 31, 2018, current assets and net assets as at March 31, 2018.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the 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, 2018 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.

Mississauga, Ontario
May 10, 2018

McCARNEY GROUP LLP
Chartered Professional Accountants
Licensed Public Accountants

MENTAL HEALTH RESEARCH CANADA /
RECHERCHE EN SANTÉ MENTALE CANADA
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31

	2018			
	MHRC		MOHLTC	
	Special Initiatives	Operating	Research	TOTAL
	Fund	Fund	Fund	Fund
ASSETS				
Current				
Cash	\$ 1,378,145	\$ -	\$ -	\$ 1,378,145
Short-term investments (Note 3)	6,698,806	-	335,496	7,034,302
Accounts receivable	2,102	-	-	2,102
Government remittances recoverable	19,053	-	-	19,053
Sundry assets and prepaid expenses	9,621	-	-	9,621
	8,107,727	-	335,496	8,443,223
TANGIBLE CAPITAL ASSETS (Note 4)	3,176	-	-	3,176
	\$ 8,110,903	\$ -	\$ 335,496	\$ 8,446,399
LIABILITIES				
Current				
Accounts payable and accrued liabilities	\$ 5,247	\$ -	\$ -	\$ 5,247
NET ASSETS				
Externally restricted (Note 2)	-	-	335,496	335,496
Internally restricted (Note 2)	8,105,656	-	-	8,105,656
	8,105,656	-	335,496	8,441,152
	\$ 8,110,903	\$ -	\$ 335,496	\$ 8,446,399

See Accompanying Notes

APPROVED ON BEHALF OF THE BOARD

Chairman

Treasurer



MENTAL HEALTH RESEARCH CANADA /
RECHERCHE EN SANTÉ MENTALE CANADA
STATEMENT OF OPERATIONS

PERIOD FROM DATE OF INCORPORATION, JULY 7, 2017 TO YEAR ENDED MARCH 31

	2018			
	MHRC Special Initiatives Fund	Operating Fund	MOHLTC Research Fund	TOTAL
REVENUES				
Contribution of funds from the Ontario Mental Health Foundation (Note 1)	\$ 8,293,165	\$ -	\$ 335,496	\$ 8,628,661
Contribution of operating and tangible capital assets from the Ontario Mental Health Foundation (Note 1)	27,756	-	-	27,756
Investment income (Note 3)	218,987	-	-	218,987
Donations received	260	-	-	260
	8,540,168	-	335,496	8,875,664
EXPENSES				
Administration	168,650	5,888	-	174,538
Investment management fees	1,115	-	-	1,115
Unrealized losses on investments	258,859	-	-	258,859
	428,624	5,888	-	434,512
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 8,111,544	\$ (5,888)	\$ 335,496	\$ 8,441,152

See Accompanying Notes

MENTAL HEALTH RESEARCH CANADA /
RÉCHERCHE EN SANTÉ MENTALE CANADA
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31

	2018			
	MHRC Special Initiatives Fund	Operating Fund	MOHLTC Research Fund	TOTAL
NET ASSETS - BEGINNING OF YEAR	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenue over expenses	8,111,544	(5,888)	335,496	8,441,152
Inter-fund transfer <i>(Note 6)</i>	(5,888)	5,888	-	-
NET ASSETS - END OF YEAR	\$ 8,105,656	\$ -	\$ 335,496	\$ 8,441,152

See Accompanying Notes

**MENTAL HEALTH RESEARCH CANADA /
RECHERCHE EN SANTÉ MENTALE CANADA**
STATEMENT OF CASH FLOWS
PERIOD FROM DATE OF INCORPORATION, JULY 7, 2017 TO YEAR ENDED
MARCH 31

	2018
OPERATING ACTIVITIES	
Excess (deficiency) of revenue over expenses	
Special Initiatives Fund	\$ 8,111,544
Operating Fund	(5,888)
Research Fund	335,496
Items not affecting cash	
Contribution of operating and tangible capital assets from OMHF	(27,756)
Unrealized losses on investments	258,859
Investment income	(218,987)
Investment management fees	1,115
	8,454,383
Changes in non-cash working capital	
Government remittances recoverable	(105)
Sundry assets and prepaid expenses	(6,091)
Accounts payable and accrued liabilities	5,247
	(949)
Cash flows from operating activities	8,453,434
INVESTING ACTIVITIES	
Additions to short-term investments	(7,075,289)
Cash flows from investing activities	(7,075,289)
INCREASE IN CASH	1,378,145
CASH - BEGINNING OF PERIOD	-
CASH - END OF PERIOD	\$ 1,378,145

See Accompanying Notes

**MENTAL HEALTH RESEARCH CANADA /
RECHERCHE EN SANTÉ MENTALE CANADA
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018**

1. DESCRIPTION OF BUSINESS

Mental Health Research Canada / Recherche en Santé Mentale Canada is a not-for-profit organization incorporated without share capital under the Canada Not-for-profit Corporations Act on July 17, 2017. The organization is a registered charity and designated as a public foundation effective August 28, 2017.

The organization was formed as a result of the cessation of operations of the Ontario Mental Health Foundation (“OMHF”) on March 31, 2018. The organization aims to continue the mandate of OMHF to promote the mental health of people living across Canada, to prevent mental illness and to improve diagnosis, treatment and rehabilitation by supporting the development of researchers and by funding excellent mental health research.

As part of the cessation of operations of OMHF and in agreement with the Ministry of Health and Long Term Care (“MOHLTC”), all remaining assets of OMHF were transferred to the organization including the portion of funding received from the MOHLTC relating to the final funding instalments payable to researchers from April 1, 2018 to March 31, 2019. The committed funding will be administered by the organization.

The following is a summary of the assets transferred by OMHF:

Funds held in the OMHF Special Initiatives Fund	\$8,293,165
Funds committed for research purposes	335,496
Operating and tangible capital assets	27,756

In addition, MHRC assumed certain commitments in 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.

2. SUMMARY OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Measurement uncertainty

Certain amounts in the financial statements are subject to measurement uncertainty and are based on the organization’s best information and judgment. Actual results could differ from these estimates.

Examples of significant estimates include:

- the useful lives of tangible capital assets; and
- the accrual of liabilities.

**MENTAL HEALTH RESEARCH CANADA /
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NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018**

2. SUMMARY OF ACCOUNTING POLICIES *(continued)*

Short-term investments

Short-term investments are comprised of marketable securities recorded at fair value.

Fund accounting

Funds have been established to account for the organizations' activities as described below:

i) Operating Fund

The Operating Fund receives unrestricted funding used to account for the coordination, communication and administration activities of the organization.

ii) Internally restricted MHRC Special Initiatives Fund

The internally restricted MHRC Special Initiatives Fund has been established by the organization's Board of Directors to account for non-ministry related donations received by the organization. These funds may not be used without the prior approval of the Board.

iii) Ministry of Health and Long-term Care Restricted Research Fund

The Research Fund received the funding for the research commitments for the upcoming funding year, which had been originally granted to the OMHF by the MOHLTC.

The Research Fund is used by the organization to account for its three principal mandates, which are:

- research in mental health;
- training; and
- education.

Revenue recognition

The organization follows the restricted fund method of accounting for contributions.

Unrestricted contributions to the MHRC Special Initiatives Fund and contributions to the restricted funds are recognized as revenue in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income in the Special Initiatives Fund and the Research Fund includes mutual fund income, realized capital gains and losses on the sale of investments, and interest income. Mutual fund income and interest income is recognized as revenue when earned.

**MENTAL HEALTH RESEARCH CANADA /
RECHERCHE EN SANTÉ MENTALE CANADA
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018**

2. SUMMARY OF ACCOUNTING POLICIES *(continued)*

Contributed services

Volunteers also contribute significant time each year to assist the organization in carrying out its activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Employee future benefits

The organization participates in a specified multi-employer defined benefit plan for its employees. Pension costs are recognized in the year in which the service occurs.

Tangible capital assets

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives on a declining balance basis at the following rate:

Furniture and fixtures	10%
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Impairment of long-lived assets

The organization tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future undiscounted net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

Financial instruments

Measurement

The organization initially measures its financial assets and financial liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for short-term investments, which are measured at fair value. Realized and unrealized gains and losses are recognized in the statement of operations of the applicable fund.

Financial assets measured at amortized cost include cash, accounts receivable and prepaid expenses.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

**MENTAL HEALTH RESEARCH CANADA /
RECHERCHE EN SANTÉ MENTALE CANADA
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018**

2. SUMMARY OF ACCOUNTING POLICIES *(continued)*

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations of the applicable fund. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations of the applicable fund.

Transaction costs

The company recognizes its transaction costs in statement of operations in the year incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the rates of exchange during the year, except for amortization, which has been translated at the same rate as the related assets.

Realized and unrealized foreign exchange gains and losses on monetary assets and liabilities are included in the determination of net income.

3. SHORT-TERM INVESTMENTS

	2018 \$
Canadian short-term investments (cost \$334,065)	333,656
Canadian bonds (cost \$4,416,603)	4,344,653
Canadian equities (cost \$366,341)	337,693
U.S. equities (cost \$1,158,119)	1,014,987
Global equities (cost \$682,537)	667,817
	6,698,806

Total income earned from these investments during the year is \$218,987 and total unrealized losses on investments of \$258,859.

**MENTAL HEALTH RESEARCH CANADA /
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NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018**

4. TANGIBLE CAPITAL ASSETS

	2018		
	Cost \$	Accumulated amortization \$	Net \$
Furniture and fixtures	3,176	-	3,176

5. PENSION COSTS AND OBLIGATIONS

The organization's employees belong to the Healthcare of Ontario Pension Plan ("HOOPP"). HOOPP is classified as a Specified Multi-Employer Pension Plan under the Income Tax Act that requires the organization to make contributions of \$1.26 for each \$1 contribution by the employee. No contributions have been paid at the year end.

6. INTER-FUND TRANSFER

During the year, the board approved the allocation of \$888 from the Special Initiatives Fund to the Administration Fund, for the purpose of funding funds shortages.

Interfund balances arise due to the organization not having a bank account and/or investment account for each of its funds. There is no interest allocated on balances owing to or from funds.

7. COMMITMENTS

As described in Note 1, the organization assumed the operating lease agreement for the office premises for the period from April 1 to August 31, 2018. The future minimum payments for the lease is \$8,168.

The organization has entered into a new operating lease agreement for office premises from September 1, 2018 to August 31, 2023.

The committed future minimum payments for the new lease are as follows:

	\$
2019	7,691
2020	13,185
2021	13,698
2022	14,064
2023	14,320
Thereafter	6,043
Total	69,001

**MENTAL HEALTH RESEARCH CANADA /
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NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018**

7. COMMITMENTS *(continued)*

In addition, the organization will administer the remainder of OMHF's commitments to fund research projects from April 1, 2018 to March 31, 2019 (see Note 1) as follows:

	\$
New investigator fellowships	153,496
Research studentships	182,000
	335,496

8. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of March 31, 2018.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization was exposed to credit risk during the year from grants and fellowships recoverable from researchers and institutions, as well as government remittances recoverable. Given the infrequent nature of these balances, the organization's exposure to credit risk is low.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The organization is exposed to all these risks due to the investments held by the organization in TD Emerald Mutual Funds with TD Asset Management Inc. The total amount of investments held is detailed in Note 3 to these financial statements. The organization mitigates this risk by reviewing the investment portfolio with TD Asset Management Inc. at least once annually. It also holds mutual funds mainly in Canadian bonds for which prices generally fluctuate less dramatically unless interest rates fluctuate dramatically.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its investment holdings in Canadian bonds for which prices fluctuate according to interest rates.

**MENTAL HEALTH RESEARCH CANADA /
RECHERCHE EN SANTÉ MENTALE CANADA
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018**

8. FINANCIAL INSTRUMENTS *(continued)*

Currency risk

Currency risk is the risk to the organization that arises from 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 Global equities. The organization does not use derivative instruments to reduce its exposure to this risk.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The organization is exposed to other price risk through its investment in mutual funds.