

Financial Statements of

**ROYAL OTTAWA FOUNDATION
FOR MENTAL HEALTH**

And Independent Auditors' Report thereon

Year ended March 31, 2020



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Royal Ottawa Foundation for Mental Health

Opinion

We have audited the financial statements of the Royal Ottawa Foundation for Mental Health (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2020;
- the statement of operations for the year then ended;
- the statement of changes in fund balances 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, 2020, 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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' 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 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.

Auditors' 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 auditors' 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.
- 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 auditors' 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 auditors' 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

May 21, 2020

ROYAL OTTAWA FOUNDATION FOR MENTAL HEALTH

Financial Statements

Year ended March 31, 2020

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ROYAL OTTAWA FOUNDATION FOR MENTAL HEALTH

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	\$ 3,601,639	\$ 4,603,078
Accounts and other receivables	40,696	32,122
Prepaid expenses	13,878	3,801
	<u>3,656,213</u>	<u>4,639,001</u>
Investments (note 3)	12,485,936	12,923,230
Capital assets (note 4)	140,328	141,395
	<u>\$ 16,282,477</u>	<u>\$ 17,703,626</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 112,001	\$ 108,725
Due to related entities (note 6)	460,563	1,913,211
	<u>572,564</u>	<u>2,021,936</u>
Fund balances:		
General - internally restricted (note 8)	1,609,671	236,827
General - unrestricted	1,125,395	1,846,649
Externally restricted - special purpose (note 9)	12,843,354	13,466,721
Externally restricted - endowment (note 10)	131,493	131,493
	<u>15,709,913</u>	<u>15,681,690</u>
	<u>\$ 16,282,477</u>	<u>\$ 17,703,626</u>

See accompanying notes to financial statements.

Approved by the Board:

 Director

 Director

ROYAL OTTAWA FOUNDATION FOR MENTAL HEALTH

Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	General Fund	Special Purpose Fund	2020	2019
Revenue:				
Special events	\$ 1,194,845	\$ 258,155	\$ 1,453,000	\$ 1,232,794
Donations	2,648,590	693,837	3,342,427	1,829,436
Campaign for Mental Health (note 14)	–	646,877	646,877	990,005
Future capital campaign	–	1,141,084	1,141,084	1,138,720
Interest and investment income (note 3)	1,849,512	4,602	1,854,114	427,794
Unrealized gains (losses) on investments	(2,215,285)	–	(2,215,285)	355,372
	<u>3,477,662</u>	<u>2,744,555</u>	<u>6,222,217</u>	<u>5,974,121</u>
Expenses:				
Administration	1,364,591	–	1,364,591	1,155,274
Special events	217,589	64,960	282,549	270,245
Planned giving/major gifts/general	123,062	–	123,062	99,447
Direct response	54,142	–	54,142	80,594
Future capital campaign	634,694	–	634,694	473,693
Amortization of tangible capital and intangible assets	28,146	–	28,146	17,262
	<u>2,422,224</u>	<u>64,960</u>	<u>2,487,184</u>	<u>2,096,515</u>
Excess of revenue over expenses before research, patient and education contributions	1,055,438	2,679,595	3,735,033	3,877,606
Research, patient and education contributions (notes 8 and 9)	394,933	3,311,877	3,706,810	5,520,985
Excess (deficiency) of revenue over expenses and contributions	\$ 660,505	\$ (632,282)	\$ 28,223	\$ (1,643,379)

See accompanying notes to financial statements.

ROYAL OTTAWA FOUNDATION FOR MENTAL HEALTH

Statement of Changes in Fund Balances

Year ended March 31, 2020, with comparative information for 2019

	General Fund		Special Purpose Fund	Endowment Fund	2020 Total	2019 Total
	Internally restricted	Unrestricted				
Fund balance, beginning of year	\$ 236,827	\$ 1,846,649	\$ 13,466,721	\$ 131,493	\$ 15,681,690	\$ 17,325,069
Excess (deficiency) of revenue over expenses and contributions	(394,933)	1,055,438	(632,282)	—	28,223	(1,643,379)
Interfund transfers (notes 8 and 9)	1,767,777	(1,776,692)	8,915	—	—	—
Fund balance, end of year	\$ 1,609,671	\$ 1,125,395	\$ 12,843,354	\$ 131,493	\$ 15,709,913	\$ 15,681,690

See accompanying notes to financial statements.

ROYAL OTTAWA FOUNDATION FOR MENTAL HEALTH

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses and contributions	\$ 28,223	\$ (1,643,379)
Items not affecting cash:		
Amortization of tangible capital and intangible assets	28,146	17,262
Net unrealized losses (gains) on investments	2,215,285	(355,372)
Change in non-cash operating working capital (note 11)	(1,468,023)	1,443,677
	803,631	(537,812)
Capital activities:		
Purchase of capital assets	(27,079)	(146,387)
Investing activities:		
Acquisitions of investments	(15,979,457)	(1,823,682)
Proceeds on disposition of investments	14,201,466	-
	(1,777,991)	(1,823,682)
Decrease in cash	(1,001,439)	(2,507,881)
Cash, beginning of year	4,603,078	7,110,959
Cash, end of year	\$ 3,601,639	\$ 4,603,078

See accompanying notes to financial statements.

ROYAL OTTAWA FOUNDATION FOR MENTAL HEALTH

Notes to Financial Statements

Year ended March 31, 2020

1. Nature of entity:

The Royal Ottawa Foundation for Mental Health (the "Foundation") was incorporated under the Canadian Corporation Act as a not-for-profit arms-length fundraising organization governed by a volunteer Board of Directors. Effective October 17, 2013, the Foundation continued its articles of incorporation under the Canada Not-for-Profit Corporations Act. As a registered charity, the Foundation is exempt from income taxes under subsection 149 (1)(f) of the Income Tax Act (Canada).

2. 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) Fund accounting:

The Foundation follows the restricted fund method of accounting for contributions for not-for-profit organizations. Transfers between funds are recorded as approved by the Foundation's Board of Directors. For financial reporting purposes, the fund balances have been classified into three funds consisting of the following:

- (i) The General Fund includes the day-to-day transactions in regards to the operations of the Foundation. Unless otherwise specified, any interest earned is included in the General Fund.
- (ii) The Special Purpose Fund includes donations, the use of which is restricted by the donor for research, patient and education purposes, the Capital Campaign - Open Minds (note 13) and the Campaign for Mental Health (note 14).
- (iii) The Endowment Fund includes donations contributed for endowment. Interest and investment income earned on Endowment Fund investments is reported in the Special Purpose Fund or the General Fund depending on the nature of any restrictions imposed by the donor of the funds for endowment. It is intended that the original principal portion of the Endowment Fund be maintained intact.

(b) Fund balances restricted by the Board:

Amounts internally restricted by directives of the Board of Directors for research, patient and education purposes are recorded as internal restrictions of the Foundation's resources. As related expenditures are made, amounts are transferred from Board restricted fund balances to unrestricted fund balances.

ROYAL OTTAWA FOUNDATION FOR MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2020

2. Significant accounting policies (continued):

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to carry its investments at fair value as they are managed and evaluated on a fair value basis.

Sales and purchases of investments are recorded on the trade date. Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the effective interest rate method.

Financial assets are assessed for indicators of impairment on an annual basis. Where an indicator of impairment is present, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

(d) Capital Assets - tangible and intangible assets:

Computer equipment, software, furniture and donor wall are recorded at cost and are amortized on a straight-line basis over their estimated useful service life of five years. When a tangible capital or intangible asset no longer contributes to the Foundation's ability to provide services, its carrying amount is written down to its residual value.

(e) Revenue recognition:

Unrestricted donations and sponsorship contributions are recognized as revenue of the General Fund in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Restricted contributions related to general operations are recognized as revenue of the General Fund when the conditions for the restriction have been met. Revenue from special events is recognized, net of applicable direct costs, in the year in which they occur in the appropriate restricted fund. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

ROYAL OTTAWA FOUNDATION FOR MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2020

2. Significant accounting policies (continued):

(e) Revenue recognition (continued):

Contributions for endowment are recognized as revenue in the Endowment Fund in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Investment income earned on the Endowment Fund resources is recognized as revenue of the Special Purpose Fund or the General Fund depending on the nature of any restrictions imposed by the donor of the funds for endowment. Other investment income is recognized as revenue of the General Fund when earned. Investment income includes dividend and interest income, realized gains and losses on disposal of investments, and if applicable charges for other than temporary impairment of investments.

Unrealized gains and losses on available-for-sale financial assets are included directly in the respective fund balances until disposal or impairment of the asset. At that time, the related gains and losses are reclassified and included in the statement of operations of their respective fund as investment income.

Bequests are recognized as revenue when received. Pledges are not recorded until the donations are actually received.

(f) Expenses:

In the statement of operations, the Foundation presents its expenses by function.

Expenses are recognized in the year incurred and recorded in the function to which they are directly related. The Foundation allocates salary expenses as described in note 17.

(g) Donations in-kind:

Donations of equipment and goods which are distributed to the Royal Ottawa Health Care Group or University of Ottawa Institute of Mental Health Research are not recorded in these financial statements.

(h) Pension:

The Foundation is an employer member of the Healthcare of Ontario Pension Plan, which is a multi-employer, defined benefit pension plan. The Foundation has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles.

ROYAL OTTAWA FOUNDATION FOR MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2020

2. Significant accounting policies (continued):

(i) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

3. Investments:

	2020	2019
Pooled Investments	\$ 12,485,936	\$ –
Segregated investment management account	–	10,173,468
Campaign revenue investment account	–	2,749,762
	\$ 12,485,936	\$ 12,923,230

(a) Pooled investment management account:

March 31, 2020	Cost	Carrying and fair value
Fixed Income Fund	\$ 4,634,854	\$ 4,455,060
Canadian equities Fund	2,830,954	2,191,029
Global equities	6,605,521	5,839,847
	\$ 14,071,329	\$ 12,485,936

As at March 31, 2020, the fixed income fund consists of the Government of Canada bonds, Canadian Provincial bonds, and global bonds with interest range that range from 1.25% to 7.85% and maturity dates from April 2020 to October 2050.

ROYAL OTTAWA FOUNDATION FOR MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2020

3. Investments (continued):

(b) Segregated investment management account:

March 31, 2019	Cost	Carrying and fair value
Cash, short-term notes and treasury bills	\$ 252,638	\$ 252,961
Government of Canada bonds, 1.25% to 2.35% maturing June 2021 to June 2027	185,509	191,007
Canadian Provincial bonds, 1.55% to 3.7% maturing December 2020 to June 2026	665,462	668,598
Global bond funds	398,936	406,709
Other Canadian bond funds	2,408,040	2,413,908
Canadian equities	2,788,861	2,976,429
U.S. equities	2,019,410	2,389,808
International equities	835,172	874,048
	\$ 9,554,028	\$ 10,173,468

(c) Campaign revenue investment account:

March 31, 2019	Cost	Carrying and fair value
Cash, short-term notes and treasury bills	\$ 1,276,560	\$ 1,275,180
Government of Canada bonds, 1.25% to 3.75% maturing June 2019 to June 2021	301,259	301,398
Canadian Provincial bonds, 1.25% to 4.20% maturing June 2020 to September 2021	656,973	665,084
Canadian corporate bonds, 1.64% to 2.98% maturing May 2019 to April 2022	504,541	508,100
	\$ 2,739,333	\$ 2,749,762

During the year, the investment portfolios were transferred to a new investment manager. The investments had been merged into one investment portfolio whereby the funds are now invested in a pooled investment account as opposed to segregated investment accounts.

ROYAL OTTAWA FOUNDATION FOR MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2020

4. Tangible capital and intangible assets:

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Donor Wall	\$ 12,135	\$ 7,281	\$ 4,854	\$ 7,281
Computer equipment	28,781	9,115	19,666	21,352
Furniture	97,097	29,676	67,421	77,601
Software	50,434	2,047	48,387	35,161
Total	\$ 188,447	\$ 48,119	\$ 140,328	\$ 141,395

During the year, the Foundation wrote off assets with a cost of \$Nil (2019 - \$34,904) and accumulated amortization of \$Nil (2019 - \$34,904).

At March 31, 2019, cost and accumulated amortization amounted to \$161,369 and \$19,974, respectively.

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$Nil (2019 - \$Nil), which includes amounts payable for harmonized sales tax and payroll-related taxes.

ROYAL OTTAWA FOUNDATION FOR MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2020

6. Related entities:

The Foundation raises, manages and disburses funds to support the Royal Ottawa Health Care Group (the “Group”) and the University of Ottawa Institute of Mental Health Research (the “Institute”) in support of the best possible patient care and leading edge research. The Foundation’s funds are used to purchase equipment for capital projects, to support research, and to contribute to the improvement of patient care.

(a) Royal Ottawa Health Care Group:

At March 31, 2020, the Foundation has an amount owing to the Group in the amount of \$460,248 (2019 - \$611,604) relating to inter-entity charges of \$2,105,605 and repayments of \$1,645,357 (2019 - charges of \$1,946,206 and repayments of \$1,334,602) during the year. The balance is non-interest bearing, has no fixed terms of repayment and is repayable on demand.

During the year, the Foundation transferred an amount of \$1,275,359 (2019 - \$313,228) to the Group as part of the Foundation’s Campaign for Mental Health and provided an additional \$447,255 towards the improvement of patient care (2019 - \$3,010,942).

(b) University of Ottawa Institute of Mental Health Research

At March 31, 2020, the Foundation has an amount owing to the Institute in the amount of \$Nil (2019 - \$1,300,156). The balance is non-interest bearing, has no fixed terms of repayment and is repayable on demand.

Also during the year, the Foundation contributed a total of \$1,984,196 in support of the Institute’s leading edge research (2019 - \$2,196,815).

(c) Royal Ottawa Volunteer Association:

At March 31, 2020, the Foundation has an amount owing to the Association of \$315 (2019 - \$1,451). The balance is non-interest bearing, has no fixed terms of repayment and is repayable on demand.

(d) Ottawa Hospitals Food Association (formerly Healthcare Food Services. Inc.)

The Foundation and Healthcare Food Services. Inc. (“HFS”) are related parties by virtue of both entities being related parties of the “Royal Ottawa Health Care Group”.

On May 13, 2019, the Board of HFS finalized the sale of substantially all of the assets of HFS to a third party purchaser. As a result of the sale of the assets and through a motion of the Board of HFS, HFS distributed \$10,000,000 to the Foundations of the member Hospitals based on their respective contributions that created HFS. The “Royal Ottawa Health Care Group’s” share of the distribution was \$1,386,699 representing 13.87% of the distribution, which was received by the Foundation in March 2020. The amount is recorded as internally restricted donations on the Statement of Operations.

ROYAL OTTAWA FOUNDATION FOR MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2020

6. Related entities (continued):

(d) Friends of Royal Ottawa Foundation, Inc.:

The purpose of the Friends of Royal Ottawa Foundation Inc., is to further educational, scientific, and charitable purposes pursuant to the provisions of the Delaware General Corporation Law (the "DGCL") and other applicable laws.

The Foundation is affiliated to the Friends of Royal Ottawa Foundation, Inc. as a result of common board members between the two organizations and the Foundation provides certain administrative support services. Friends has no amounts owing to the Foundation as at March 31, 2020.

7. Fund balances:

The Foundation's overall objective for its fund balances is to fund future projects and ongoing operations.

The Foundation manages its fund balances by appropriating amounts to internally restricted fund balances for anticipated future projects. These allocations are disclosed in note 8.

The Foundation also considers its endowments and special purpose funds, as disclosed in notes 9 and 10, to be part of its fund balances. The Foundation's objective with regards to these funds is to maintain the resources as stipulated by the externally imposed restrictions and to maximize investment income to increase funding available for use for research, patient, and educational purposes.

The Foundation is not subject to any other externally imposed capital requirements and its approach to capital management remains unchanged from the prior year.

ROYAL OTTAWA FOUNDATION FOR MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2020

8. Internally restricted:

During the year, the Foundation's Board of Directors approved the following restrictions from unrestricted net assets and expenditures out of the previously restricted net assets:

	Balance, beginning of year	Interfund transfer	Net expenditures	Balance, end of year
Staff lottery	\$ —	\$ —	\$ —	\$ —
Annual Gala Raffle	193,566	(86)	6,675	186,805
Classic car raffle	33,630	(200)	—	33,430
United We Care Fund	9,631	(6,894)	—	2,737
Royal Ottawa Health Care Group	—	1,774,957	388,258	1,386,699
	<u>\$ 236,827</u>	<u>\$ 1,767,777</u>	<u>\$ 394,933</u>	<u>\$ 1,609,671</u>

The United We Care Fund, established in 2008, represents contributions made by staff through the annual United Way Campaign and designated to the "United We Care Fund". The first \$1,000 contributed to the Group's annual United Way campaign is matched by the Foundation by way of a transfer from unrestricted net assets.

ROYAL OTTAWA FOUNDATION FOR MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2020

9. Special Purpose Fund:

The Special Purpose Fund represents unspent resources restricted by donors for research, patient and education purposes. The changes in the Special Purpose Fund balances are as follows:

	Balance, beginning of year	Restricted interest and donor contributions	Expenditures on charitable activities	Interfund transfers	Balance, end of year
Special purpose funds					
Additions	\$ 145,244	\$ 6,262	\$ 11,936	\$ –	\$ 139,570
Associates in Psychiatry Fellowship	311,187	–	17,052	–	294,135
Associates in Psychiatry Research	124,835	–	–	–	124,835
C-Prompt Clinic	–	5,000	–	–	5,000
Capital Campaign - Open Minds	31,298	–	31,298	–	–
Campaign for Mental Health	3,321,966	646,877	1,475,359	200,000	2,693,484
Future capital campaign	6,731,958	1,141,084	1,384,996	(3,285)	6,484,761
Daron Fund (The)	457,791	195,251	–	(196,715)	456,327
E.J. James Depression Research Fund	530,574	71,375	1,500	–	600,449
Estate of Emma Eliza Gray	36,463	–	–	–	36,463
IMHR Chair in Schizophrenia Research	73,790	–	–	–	73,790
Mood Disorders	107,693	12,745	–	–	120,438
Other Associates in Psychiatry Fund	33,822	5,000	2,715	–	36,107
Other IMHR Funds	370,650	128,715	267,760	–	231,605
Other ROHCG Funds	798,754	356,010	84,586	6,915	1,077,093
Psycho Geriatric Research	59,498	68	–	–	59,566
Schizophrenia Program	158,531	101,595	32,175	1,000	228,951
	13,294,054	2,669,982	-3,309,377	7,915	12,662,574
Restricted income on endowment contributions					
E. Flanders	32,258	2,450	–	–	34,708
Bill and Ivy Mellon	9,741	700	–	–	10,441
M. Loyer/J. Wilkins	109	553	1,000	1,000	662
Allison Lees Memorial Legacy Depression Research	128,071	5,011	1,500	–	131,582
Julia Ruddy and Christina Ruddy Depression Research	2,488	899	–	–	3,387
	172,667	9,613	2,500	1,000	180,780
	\$ 13,466,721	\$ 2,679,595	\$ 3,311,877	\$ 8,915	\$ 12,843,354

ROYAL OTTAWA FOUNDATION FOR MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2020

10. Endowment Fund:

Contributions for endowment purposes are subject to externally imposed restrictions stipulating that the resources be maintained permanently. The Endowment Fund is comprised of the following amounts:

	2020	2019
E. Flanders	\$ 70,000	\$ 70,000
M. Loyer/J. Wilkins	15,793	15,793
Bill and Ivy Mellon	20,000	20,000
Julia Ruddy and Christina Ruddy Depression Research	25,700	25,700
	\$ 131,493	\$ 131,493

Investment income of \$4,602 (2019 - \$4,602) from the endowment contributions is externally restricted and was accounted for as a revenue of the Special Purpose Fund.

11. Change in non-cash operating working capital:

	2020	2019
Accounts and other receivables	\$ (8,574)	\$ (8,134)
Prepaid expenses	(10,077)	9,607
Accounts payable and accrued liabilities	3,276	41,917
Due to related entities	(1,452,648)	1,400,287
	\$ (1,468,023)	\$ 1,443,677

12. Healthcare of Ontario Pension Plan:

Substantially all full time employees of the Foundation are eligible to be members of the Healthcare of Ontario Pension Plan (the "Plan"). This Plan is a multi-employer defined benefit pension plan. Employer contributions to the Plan during the year amounted to \$125,987 (2019 - \$110,464). These amounts are included in salaries and benefits expense in note 17.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

ROYAL OTTAWA FOUNDATION FOR MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2020

12. Healthcare of Ontario Pension Plan (continued):

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent triennial actuarial valuation of the Plan as at December 31, 2019 indicates the Plan is fully funded.

13. Capital Campaign - Open Minds:

In 2004/05, the Foundation's Board of Directors undertook a Capital Campaign - Open Minds to raise funds, within a 5 year period, in support of the Royal Ottawa Health Care Group ROH redevelopment project. As of March 31, 2020, \$10,051,456 (2019 - \$10,051,456) has been pledged, of which \$9,774,415 (2019 - \$9,774,415) has been collected and \$9,774,415 (2019 - \$9,743,117) has been paid to the Group on account of this project. Net Open Minds Campaign proceeds owing to the Group as at March 31, 2020 are \$Nil (2019 - \$31,298).

14. Campaign for Mental Health:

In 2011, the Foundation launched a campaign to raise \$25 million over five years in support of and to enhance an extensive range of programs and projects of the Group and the Institute. As at March 31, 2020, \$24,046,002 (2019 - \$24,046,002) has been pledged, of which \$20,848,073 (2019 - \$20,201,196) has been collected. In total, \$17,572,593 (2019 - \$16,097,234) has been disbursed to the Group and the Institute including an amount owing as at March 31, 2020 of \$Nil (2019 - \$313,228).

15. Financial risks:

The Foundation has financial risks related to its financial instruments which consist of cash, investments, receivables, due from related entities, accounts payable and accrued liabilities, debt, and amounts due to entities. It is management's opinion that the Foundation generally is not exposed to significant credit, market or liquidity risks arising from these instruments. The impact of the COVID-19 pandemic is disclosed in note 16.

(a) Credit risk:

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

ROYAL OTTAWA FOUNDATION FOR MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2020

15. Financial risks (continued):

(a) Credit risk (continued):

The Foundation's receivables are with governments, government funding agencies, and corporate entities. The Foundation believes that its receivables do not have significant credit risk in excess of allowances for doubtful accounts that have been established. An allowance for doubtful accounts has not been recognized as at the year ended March 31, 2020.

(b) 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. Market factors include three types of risk: currency risk, interest rate risk and other price risk.

(i) Interest rate risk:

Interest rate risk refers to the adverse consequences of interest rate changes on the Foundation's cash flows, financial position and investment revenue. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at March 31, 2020, a 1% change to the market interest rate with all other variables held constant would have an estimated effect of \$45,551 (2019 - \$205,570) on the value of the bond portfolio. Financial assets and financial liabilities with variable interest rates expose the Foundation to cash flow interest rate risk. The Foundation is exposed to this risk through to its interest bearing investments. The Foundation's investments, including interest-bearing securities, are disclosed in note 3.

(ii) Currency risk:

Foreign currency exposure arises from the Foundation's holdings of foreign cash balances, equities and bonds. Included in investments (note 3) is \$6,133,309 (2019 - \$3,670,565) which is exposed to foreign currency movements. The Foundation monitors foreign equity and bond holdings on an ongoing basis with the assistance of its investment advisors. The Foundation does not use derivative financial instruments to mitigate the foreign currency risk.

(iii) Other price risk:

Other price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Foundation is exposed to this risk through its equity holdings within its investment portfolio. At March 31, 2020, a 10% movement in the stock markets with all other variables held constant would have an estimated effect on the fair values of the Foundation's equities of approximately \$744,028 (2019 - \$624,030).

ROYAL OTTAWA FOUNDATION FOR MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2020

15. Financial risks (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements. The Foundation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

16. Impact of Coronavirus COVID-19 Pandemic:

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

From the declaration of the pandemic to the date of approval of these financial statements, the Foundation has been impacted in relation to the COVID-19 pandemic in the following ways:

- The cancelation of public activities and events
- The implementation of working from home requirements for foundation employees

(a) *Current year transactions:*

For the year ended March 31, 2020, there has been a significant financial impact on the Foundation as a result of unrealized losses on investments due to market fluctuations caused by COVID-19.

(b) *Impact of COVID-19 on financial risks:*

The COVID-19 pandemic has impacted the financial risks of the Foundation as follows:

(i) Market risk:

Market risk has increased due to significant volatility in financial markets due to greater uncertainty in the valuation of financial assets arising from fluctuations in equity markets, foreign currency exchange rates and interest rates.

The Foundation is continually monitoring the impact of market volatility on its financial instruments and will make adjustments to investment strategies as required to reduce the risk on the Foundation's operations and financial position.

ROYAL OTTAWA FOUNDATION FOR MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2020

16. Impact of Coronavirus COVID-19 Pandemic (continued):

(b) *Impact of COVID-19 on financial risks (continued):*

(ii) Liquidity risk:

The ability of the Foundation to meet their cash flow requirements in the short term may be impacted by several factors including delays in cash collections and a reduction in overall donations. The Foundation is mitigating these risks by maintaining relationships with their donors and by monitoring their cash flow in order to maintain liquidity moving forward.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Foundation's operations and financial position is not known at this time. These impacts could include a decline in future cash flows, changes to the value of assets and liabilities, and the use of accumulated net assets to sustain operations. An estimate of the financial effect of the pandemic on the Foundation is not practicable at this time.

17. Allocated expenses:

The Foundation allocates salary expenses to the Campaign for Mental Health based on percentages as determined by management. The salary expenses allocated and related percentages are presented in the following table.

	2020	2019
Administration	\$ 1,081,846	\$ 943,092
Special events	56,794	52,431
Future capital campaign	580,161	451,395
	<u>\$ 1,718,801</u>	<u>\$ 1,446,918</u>
Administration	63%	65%
Special events	3%	4%
Future capital campaign	34%	31%
	<u>100%</u>	<u>100%</u>