

Financial Statements of

**ROYAL OTTAWA FOUNDATION
FOR MENTAL HEALTH**

And Independent Auditor's Report thereon

Year ended March 31, 2023



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INDEPENDENT AUDITOR'S 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, 2023
- 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, 2023, and its results of operations, its changes in fund balances, and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

May 19, 2023

ROYAL OTTAWA FOUNDATION FOR MENTAL HEALTH

Financial Statements

Year ended March 31, 2023

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ROYAL OTTAWA FOUNDATION FOR MENTAL HEALTH

Statement of Financial Position

March 31, 2023, with comparative information for 2022


	2023	2022
Assets		
Current assets:		
Cash	\$ 4,390,283	\$ 2,623,340
Accounts and other receivables	89,130	84,563
Prepaid expenses	56,506	30,221
	<u>4,535,919</u>	<u>2,738,124</u>
Investments (note 3)	12,732,810	16,491,766
Tangible capital and intangible assets (note 4)	76,754	75,661
	<u>\$ 17,345,483</u>	<u>\$ 19,305,551</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 191,850	\$ 238,264
Due to related entities (note 5)	1,196,805	2,055,486
	<u>1,388,655</u>	<u>2,293,750</u>
Fund balances:		
General - internally restricted (note 7)	231,714	177,046
General - unrestricted	4,013,432	3,786,799
Externally restricted - special purpose (note 8)	11,494,589	12,857,113
Externally restricted - endowment	217,093	190,843
	<u>15,956,828</u>	<u>17,011,801</u>
	<u>\$ 17,345,483</u>	<u>\$ 19,305,551</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, 2023, with comparative information for 2022

	General Fund	Special Purpose Fund	Endowment Fund	2023 Total	2022 Total
Revenue:					
Donations	\$ 3,211,277	\$ 2,614,320	\$ 2,000	\$ 5,827,597	\$ 5,447,176
Expenses:					
Administration	1,202,524	–	–	1,202,524	1,207,391
Fundraising	1,214,084	74,563	–	1,288,647	1,061,644
Amortization of tangible capital and intangible assets	39,392	–	–	39,392	40,345
	2,456,000	74,563	–	2,530,563	2,309,380
Excess of revenue over expenses before other revenue	755,277	2,539,757	2,000	3,297,034	3,137,796
Other revenue:					
Interest and investment income	735,578	–	–	735,578	880,400
Government grants	–	–	–	–	120,408
Unrealized gains (losses) on investments (note 3)	(782,755)	–	–	(782,755)	34,082
	(47,177)	–	–	(47,177)	1,034,890
Excess of revenue over expenses before research, patient and education contributions	708,100	2,539,757	2,000	3,249,857	4,172,686
Research, patient and education contributions (notes 7 and 8)	556,990	3,747,090	750	4,304,830	6,677,622
Excess (deficiency) of revenue over expenses and contributions	\$ 151,110	\$ (1,207,333)	\$ 1,250	\$ (1,054,973)	\$ (2,504,936)

See accompanying notes to financial statements.

ROYAL OTTAWA FOUNDATION FOR MENTAL HEALTH

Statement of Changes in Fund Balances

Year ended March 31, 2023, with comparative information for 2022

	General Fund		Special Purpose Fund	Endowment Fund	2023 Total	2022 Total
	Internally restricted (note 7)	Unrestricted				
Fund balance, beginning of year	\$ 177,046	\$ 3,786,799	\$ 12,857,113	\$ 190,843	\$ 17,011,801	\$ 19,516,737
Excess (deficiency) of revenue over expenses and contributions	(556,990)	708,100	(1,207,333)	1,250	(1,054,973)	(2,504,936)
Interfund transfers	611,658	(481,467)	(155,191)	25,000	-	-
Fund balance, end of year	\$ 231,714	\$ 4,013,432	\$ 11,494,589	\$ 217,093	\$ 15,956,828	\$ 17,011,801

See accompanying notes to financial statements.

ROYAL OTTAWA FOUNDATION FOR MENTAL HEALTH

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses and contributions	\$ (1,054,973)	\$ (2,504,936)
Items not affecting cash:		
Amortization of tangible capital and intangible assets	39,392	40,345
Net unrealized gains (losses) on investments	782,755	(34,082)
Change in non-cash operating working capital (note 9)	(935,947)	1,464,467
	<u>(1,168,773)</u>	<u>(1,034,206)</u>
Financing activities:		
Acquisitions of tangible capital and intangible assets	(40,485)	-
Investing activities:		
Acquisitions of investments	(794,926)	(1,557,685)
Proceeds on disposition of investments	3,771,127	865,612
	<u>2,976,201</u>	<u>(692,073)</u>
Increase (decrease) in cash	1,766,943	(1,726,279)
Cash, beginning of year	2,623,340	4,349,619
Cash, end of year	<u>\$ 4,390,283</u>	<u>\$ 2,623,340</u>

See accompanying notes to financial statements.

ROYAL OTTAWA FOUNDATION FOR MENTAL HEALTH

Notes to Financial Statements

Year ended March 31, 2023

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 regard 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.
- (iii) The Endowment Fund includes donations contributed for endowment as well as interest and investment income earned on Endowment Funds. 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, 2023

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. 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 services. 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, 2023

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.

Interest and investment income earned on the Endowment Fund resources is recognized as revenue in the Endowment Fund. 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 between administrative and fundraising personnel.

(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, 2023

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:

	2023	2022
Pooled investments	\$ 8,380,290	\$ 12,502,047
Other investments	4,352,520	3,989,719
	<u>\$ 12,732,810</u>	<u>\$ 16,491,766</u>

(a) Pooled investment management account:

March 31, 2023	Cost	Carrying and fair value
Fixed Income Fund	\$ 2,008,488	\$ 1,906,752
Canadian Equities Fund	1,976,582	2,134,618
Global Equities Fund	4,501,050	4,338,920
	<u>\$ 8,486,120</u>	<u>\$ 8,380,290</u>

March 31, 2022	Cost	Carrying and fair value
Fixed Income Fund	\$ 3,816,992	\$ 3,722,563
Canadian Equities Fund	2,506,921	3,081,362
Global Equities Fund	5,404,806	5,698,122
	<u>\$ 11,728,719</u>	<u>\$ 12,502,047</u>

ROYAL OTTAWA FOUNDATION FOR MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2023

3. Investments (continued):

(b) Other investments:

March 31, 2023	Cost	Carrying and fair value
Waratah One	\$ 560,771	\$ 609,485
Brookfield Real Estate	623,383	788,542
RP Debt Opportunities	740,465	793,711
Waratah AESG	850,000	843,906
Hamilton Lane	600,000	716,109
Converium	250,561	260,985
White Crane	250,564	251,979
TD Direct Investments	87,784	87,803
	\$ 3,963,528	\$ 4,352,520

March 31, 2022	Cost	Carrying and fair value
Waratah	\$ 1,115,000	\$ 1,202,591
Brookfield Real Estate	1,000,000	1,169,544
RP Debt Opportunities	719,821	765,020
Waratah AESG	850,000	840,277
TD Direct Investments	12,309	12,287
	\$ 3,697,130	\$ 3,989,719

As at March 31, 2023, the fixed income fund consists of the Government of Canada bonds, Canadian Provincial bonds, Canadian Corporate bonds, preferred shares, and global bonds with interest range that range from 0.25% to 13.375% (2022 - 0.25% to 11.75%) and maturity dates from April 2023 to July 2083 (2022 - August 2022 to July 2081).

4. Tangible capital and intangible assets:

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Donor wall	\$ 12,135	\$ 12,135	\$ -	\$ -
Computer equipment	28,781	26,099	2,682	8,153
Furniture	101,063	89,209	11,854	32,067
Software	100,230	38,012	62,218	35,441
Total	\$ 242,209	\$ 165,455	\$ 76,754	\$ 75,661

ROYAL OTTAWA FOUNDATION FOR MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2023

4. Tangible capital and intangible assets (continued):

At March 31, 2022, cost and accumulated amortization amounted to \$201,724 and \$126,063, respectively.

5. 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, 2023, the Foundation has an amount owing to the Group in the amount of \$1,196,840 (2022 - \$2,055,486) relating to inter-entity charges of \$3,090,718 and repayments of \$1,893,878 (2022 - charges of \$3,772,343 and repayments of \$1,716,857) 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 \$2,734,547 (2022 - \$3,932,096) towards the improvement of patient care.

(b) University of Ottawa Institute of Mental Health Research:

At March 31, 2023, the Foundation has an amount owing to the Institute in the amount of \$Nil (2022 - \$Nil). The balance is non-interest bearing, has no fixed terms of repayment and is repayable on demand.

During the year, the Foundation contributed a total of \$1,570,145 in support of the Institute's leading edge research (2022 - \$2,745,526).

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

The purpose of the Friends of Royal Ottawa Foundation, Inc. ("Friends"), 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 has an economic interest in Friends as the Foundation provides certain administrative support services. At March 31, 2023, the Foundation has an amount receivable from Friends of \$35 (2022 - \$Nil).

ROYAL OTTAWA FOUNDATION FOR MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2023

6. 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 7.

The Foundation also considers its special purpose funds and endowments, as disclosed in the significant account policy note 2(a)(ii), 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.

7. 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
Annual Gala Raffle	\$ 165,658	\$ 4,902	\$ 1,700	\$ 168,860
Classic car raffle	10,375	599	–	10,974
United We Care Fund	1,013	–	–	1,013
Royal Ottawa Health Care Group	–	606,157	555,290	50,867
	<u>\$ 177,046</u>	<u>\$ 611,658</u>	<u>\$ 556,990</u>	<u>\$ 231,714</u>

ROYAL OTTAWA FOUNDATION FOR MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2023

8. 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					
E.J.(Jennie) James Depr. Res.	\$ 1,243,054	\$ 144,500	\$ —	\$ —	\$ 1,387,554
Daron Fund (The)	701,935	106,810	—	—	808,745
Regional Psychosis Clinic	—	675,158	—	—	675,158
Women's Mental Health	937,272	17,219	—	(182)	954,309
eRimh	2,188,518	—	600,000	—	1,588,518
Other Funds	7,786,334	1,596,070	3,147,090	(155,009)	6,080,305
	\$ 12,857,113	\$ 2,539,757	\$ 3,747,090	\$ (155,191)	\$ 11,494,589

9. Change in non-cash operating working capital:

	2023	2022
Accounts and other receivables	\$ (4,567)	\$ (5,047)
Prepaid expenses	(26,285)	(13,555)
Accounts payable and accrued liabilities	(46,414)	(131,702)
Due to/from related entities	(858,681)	1,614,771
	\$ (935,947)	\$ 1,464,467

10. 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 \$158,731 (2022 - \$135,390).

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.

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, 2022 indicates the Plan is fully funded.

ROYAL OTTAWA FOUNDATION FOR MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2023

11. Financial risks:

The Foundation is subject to the following risks from its financial instruments.

(a) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors.

(i) Currency risk:

Foreign currency exposure arises from the Foundation's holdings of foreign cash balances, equities and bonds. Included in investments (note 3) is \$5,989,178 (2022 - \$7,286,267) 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.

(i) Interest rate and other price risks:

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. 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. As at March 31, 2023, a 1% change to the market interest rate with all other variables held constant would have an estimated effect of \$87,711 (2022 - \$60,655) 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.

At March 31, 2023, 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 \$647,354 (2022 - \$877,948).

ROYAL OTTAWA FOUNDATION FOR MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2023

11. Financial risks (continued):

(b) 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, accounts and other receivables, and due from/to related entities. The Foundation holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation.

Accounts receivable are ultimately due from the large publicly funded organizations. The Institute measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance has not been set up based on the Institute's historical experience regarding collections of its receivables.

Investments are made under the approved investment policy that limit the concentration of investments by issuer and industry as well as providing guidance on liquidity and credit ratings of investments.

(c) Liquidity risk:

Liquidity risk is the risk that the Institute will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. Accounts payable are kept current throughout the year.

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

These risks have increased in 2023 due to market fluctuations in interest rates and market prices. Aside from the changes in interest and market risk, there have been no changes from the prior year in the Foundation's risk exposures from its financial instruments or the policies, procedures and methods used to manage these risks.

12. Comparative information:

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