

**SCHIZOPHRENIA SOCIETY OF
CANADA FOUNDATION - FONDATION
DE LA SOCIÉTÉ CANADIENNE DE LA
SCHIZOPHRÉNIE**

Financial Statements
For the year ended March 31, 2020

**SCHIZOPHRENIA SOCIETY OF CANADA FOUNDATION
FONDATION DE LA SOCIÉTÉ CANADIENNE DE LA
SCHIZOPHRÉNIE**

Financial Statements
For the year ended March 31, 2020

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Independent Auditor's Report

To the Board of Directors of the Schizophrenia Society of Canada Foundation - Fondation de la société canadienne de la schizophrénie

Opinion

We have audited the financial statements of Schizophrenia Society of Canada Foundation - Fondation de la société canadienne de la schizophrénie (the Foundation), which comprise the statement of financial position as at March 31, 2020, and the statement of operations - Michael Smith Schizophrenia Research and General Research Funds, the statement of operations - General Fund, the statement of changes in fund balances, and the statement of 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 the Foundation 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Foundation 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation'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.



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 Foundation'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 Foundation'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 Foundation 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.

Chartered Professional Accountants

Winnipeg, Manitoba
November 26, 2020

SCHIZOPHRENIA SOCIETY OF CANADA FOUNDATION
FONDATION DE LA SOCIÉTÉ CANADIENNE DE LA
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Statement of Financial Position

March 31	2020	2019
Assets		
Current Assets		
Cash and bank	\$ -	\$ 42,165
Interest receivable	-	699
	-	42,864
Investments (Note 3)	1,572,877	1,622,708
	\$ 1,572,877	\$ 1,665,572

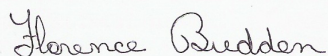
Liabilities and Fund Balances

Current Liabilities		
Bank indebtedness	\$ 33,955	\$ -
Accounts payable and accrued liabilities	4,800	4,000
Due to related party (Note 4)	9,058	-
	47,813	4,000

Commitment (Note 5)

Fund Balances		
Michael Smith Schizophrenia Research and General Research Funds	1,342,284	1,475,898
General Fund	182,780	185,674
	1,525,064	1,661,572
	\$ 1,572,877	\$ 1,665,572

Approved on behalf of the Board of Directors



Director



Director

**SCHIZOPHRENIA SOCIETY OF CANADA FOUNDATION
FONDATION DE LA SOCIÉTÉ CANADIENNE DE LA
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**Statement of Operations
Michael Smith Schizophrenia Research
and General Research Funds**

For the year ended March 31	2020	2019
Revenue		
Investment income		
Realized	\$ 45,253	\$ 218,979
Unrealized gain on adjustment to fair value of investments	-	7,064
	<u>45,253</u>	<u>226,043</u>
Expenses		
Administration fee	7,956	-
Investment management fees	8,220	11,946
Professional fees	9,111	6,261
Research funding		
Studentship research awards	-	41,000
Other research awards	50,000	2,429
Unrealized loss on adjustment to fair value of investments	103,580	-
	<u>178,867</u>	<u>61,636</u>
Excess (deficiency) of revenue over expenses for the year	\$ (133,614)	\$ 164,407

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Statement of Operations
General Fund

For the year ended March 31	2020	2019
Revenue		
Donations	\$ 5,758	\$ 4,511
Investment income Realized	-	7,333
	5,758	11,844
Expenses		
Administration fee	419	-
Board and staff meeting	3,213	2,145
Conference	-	875
Unrealized loss on adjustment to fair value of investments	5,020	2,371
	8,652	5,391
Excess (deficiency) of revenue over expenses for the year	\$ (2,894)	\$ 6,453

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Statement of Changes in Fund Balances

For the year ended March 31, 2020

	Michael Smith Schizophrenia Research and General Research Funds	General Fund	Total
Balance, March 31, 2018	\$ 1,311,491	\$ 179,221	\$ 1,490,712
Excess of revenue over expenses for the year	164,407	6,453	170,860
Balance, March 31, 2019	1,475,898	185,674	1,661,572
Deficiency of revenue over expenses for the year	(133,614)	(2,894)	(136,508)
Balance, March 31, 2020	\$ 1,342,284	\$ 182,780	\$ 1,525,064

SCHIZOPHRENIA SOCIETY OF CANADA FOUNDATION
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Statement of Cash Flows

For the year ended March 31	2020	2019
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenses for the year		
Michael Smith Schizophrenia Research and General Research Funds	\$ (133,614)	\$ 164,407
General Fund	(2,894)	6,453
	<u>(136,508)</u>	170,860
Adjustments for items not affecting cash		
Unrealized loss (gain) on investments	108,600	(4,693)
	<u>(27,908)</u>	166,167
Changes in non-cash working capital balances		
Interest receivable	699	(6)
Accounts payable and accrued liabilities	800	-
Due to related party	9,058	-
	<u>(17,351)</u>	166,161
Cash Flows from Investing and Financing Activities		
Acquisition of investments	(1,502,919)	(335,557)
Proceeds on disposal of investments	1,444,150	173,722
	<u>(58,769)</u>	(161,835)
Net increase (decrease) in cash and bank for the year	(76,120)	4,326
Cash and bank, beginning of year	42,165	37,839
Cash and bank (bank indebtedness), end of year	\$ (33,955)	\$ 42,165

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Notes to Financial Statements

For the year ended March 31, 2020

1. Nature of the Organization

Schizophrenia Society of Canada Foundation - Fondation de la société canadienne de la schizophrénie (Foundation) is a national foundation that supports research and other activities to improve the quality of life for those affected by schizophrenia and psychosis. The Foundation is incorporated under the Canada Corporations Act as a not-for-profit organization and is a registered charity under the Income Tax Act.

The Foundation is controlled by the Schizophrenia Society of Canada - Société canadienne de la schizophrénie (Society) since the Society appoints members to the Foundation's Board of Directors. However, the Foundation and the Society operate as separate entities.

2. Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

b. Fund Accounting

The General Fund accounts for the Foundation's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The General Research Fund reports only restricted resources that are to be used for general research purposes including donations restricted by donors and amounts internally restricted by the Board of Directors.

The Michael Smith Schizophrenia Research Fund (Michael Smith Fund) reports the \$250,000 gift contributed by Dr. Michael Smith from his 1993 Nobel Prize money, contributions and other donations restricted by donors. Investment income earned on resources of the Michael Smith Fund is reported in the Michael Smith Fund and is to be used to support traineeships in the molecular genetics, neuro-imaging and biochemistry of the central nervous system, with special emphasis on schizophrenia.

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2. Summary of Significant Accounting Policies (continued)

c. Revenue Recognition

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

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

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Investment income earned on the Michael Smith Schizophrenia Research Fund are restricted for research activities and is recognized as revenue of the General Research Fund. Other investment income is recognized as revenue of the General Fund when earned.

d. Contributed Services

Volunteers contribute many hours per year to assist the Foundation in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

e. Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets in actively traded markets and all other investments are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs are the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

f. Use of Estimates

The preparation of these financial statements in accordance with accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported assets, liabilities, revenue and expenses during the reporting period, as well as the disclosure of contingencies at the date of the financial statements. Actual results could differ from those estimates.

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Notes to Financial Statements

For the year ended March 31, 2020

3. Investments

	2020	2019
<u>Michael Smith Schizophrenia Research and General Research Funds</u>		
Fixed income	\$ 364,414	\$ 775,513
Mutual funds		
Equity		
Canadian	-	141,454
Global	1,035,119	151,762
U.S.	-	103,325
Preferred shares	-	150,400
	1,399,533	1,322,454
<u>General Fund</u>		
Common shares	2,105	3,232
Corporate bonds	23,690	24,880
Guaranteed investment certificates	32,918	-
Mutual Funds		
Equity		
Canadian	-	10,355
Global	-	10,861
U.S.	-	7,319
Fixed income	114,631	221,593
Preferred shares	-	22,014
	173,344	300,254
Total investments at fair value	\$ 1,572,877	\$ 1,622,708

4. Related Party Transactions and Due to Related Party

During the year, the Foundation paid management fees of \$11,535 (Nil in 2019) to the Schizophrenia Society of Canada - Société canadienne de la schizophrénie (the Society) for management and accounting services provided by the Society that are presented as administration fee and professional fees expenses in the statements of operations. These transactions are in the normal course of operations and are measured at the exchange value, which approximates the arm's length equivalent value for services.

A balance of \$9,058 (Nil in 2019) is due to the Society from the Foundation that is non-interest bearing, has no specific terms of repayment, is unsecured and arose in the normal course of operations.

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5. Commitment

In 2017, the Foundation and the Canadian College of Neuropsychopharmacology entered into a partnership offering two graduate studentships research for one PhD in the amount of \$21,000 per year for four years, and one Masters studentship in the amount of \$18,000 per year for two years. During the year, candidates had not yet been identified for the 2021 research grants and no expense was recorded for graduate studentship research (\$41,000 in 2019). Once candidates have been identified for the research grants, the Foundation will record the expense and liability in the financial statements for the amount of the commitment for the fiscal period.

6. Financial Risk Management

The Foundation is exposed to a variety of financial risks by virtue of its assets and liabilities. Details relating to these risks are as follows:

Market Risk

Market risk is the potential for financial loss arising from price changes or volatility in equity markets. Certain Foundation investments are subject to market risk. Market risk is mitigated by the Foundation's internal investment policy that specifies an acceptable asset mix for the Foundation's investment portfolio.

The COVID-19 pandemic has had a significant effect on the financial markets. The Foundation's investments (Note 3) measured at fair value are reported in these financial statements at their fair value on March 31, 2020. These investments are experiencing fluctuations in value. The extent of any future impact on the Foundation's investments as a result of COVID-19 pandemic is unknown.

Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Foundation's cash flow, financial position and income. The Foundation is exposed to interest rate risk on its fixed interest rate financial instruments. These fixed-rate instruments subject the Foundation to the risk of changes in fair value. The current investment philosophy with respect to fixed income investments is to preserve capital and temper the impact of potentially rising interest rates.

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6. Financial Risk Management (continued)

Foreign Currency Risk

The Foundation owns equity investments denominated in foreign currencies. Accordingly, the Foundation is exposed to fluctuations in exchange rates. Foreign currency risk is mitigated by the Foundation's internal investment policy which specifies an acceptable mix of domestic and foreign investments for the Foundation's investment portfolio.

Credit Risk

Financial instruments that expose the Foundation to credit risk include cash and bank, and investments. Cash and bank are held at a financial institution whereby total cash balance is within insured limits. The Foundation manages its credit risk for its investments by following its investment policy that define parameters for diversification of its investment portfolio and asset allocation. The maximum exposure to the risk of credit for investments corresponds to their fair market value. The financial performance of investments is monitored on a monthly basis. The credit ratings and concentration risk of the investments are monitored on an ongoing basis.

Liquidity Risk

Liquidity risk is the risk of having insufficient financial resources to meet the Foundation's cash and funding requirements in support of activities within its mandate. The financial instruments that expose the Foundation to liquidity risk include accounts payable, accrued liabilities and balance due to related party. The Foundation manages its liquidity risk to ensure that it will have cash sufficient to meet its annual cash requirements as payments become due.

7. Uncertainty Due to COVID-19 Issue

On March 13, 2020, the World Health Organization declared COVID-19 a global pandemic. This has adverse impacts in Canada and on the global economy. As this continues, there could be further impact on the Foundation, its funders and its donors. Management is actively monitoring the effect on its financial condition, liquidity and operations. As a result, management anticipates temporary decline in donation revenue. Given the daily evolution of the pandemic and the global responses to curb its spread, the Foundation is not able to estimate fully the effects at this time.