

FINANCIAL STATEMENTS
For
ONTARIO BRAIN INSTITUTE
For year ended
MARCH 31, 2023

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of

ONTARIO BRAIN INSTITUTE

Opinion

We have audited the financial statements of Ontario Brain Institute (the Organization), which comprise the statement of financial position as at March 31, 2023, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2023 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

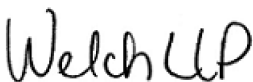
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
July 20, 2023.

ONTARIO BRAIN INSTITUTE
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,035,369	\$ 3,329,281
Other receivables	116,852	114,992
Prepaid expenses and deposits	436,614	461,660
Investments (note 3)	<u>1,218,053</u>	<u>288,072</u>
	3,806,888	4,194,005
CAPITAL ASSETS (note 4)	708,597	913,334
PROMISSORY NOTES (note 5)	<u>-</u>	<u>202,469</u>
	<u>\$ 4,515,485</u>	<u>\$ 5,309,808</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 6)	\$ 625,927	\$ 659,406
Deferred contributions (note 7)	2,549,071	3,126,087
Deferred industry funds	<u>109,000</u>	<u>139,000</u>
	3,283,998	3,924,493
DEFERRED CAPITAL CONTRIBUTIONS (note 9)	289,311	389,909
DEFERRED LEASE INDUCEMENT (note 8)	<u>419,286</u>	<u>523,425</u>
	<u>3,992,595</u>	<u>4,837,827</u>
NET ASSETS		
Unrestricted	<u>522,890</u>	<u>471,981</u>
	<u>\$ 4,515,485</u>	<u>\$ 5,309,808</u>

On behalf of the Board:

Michael Horgan
..... Director

James McGuire
..... Director

(See accompanying notes)

ONTARIO BRAIN INSTITUTE
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
Revenue		
Grant - Ministry of College and Universities	\$ 21,445,381	\$ 19,531,350
Interest	38,328	10,323
Sublease revenue	639,222	636,640
Other	<u>197,537</u>	<u>12,581</u>
	<u>22,320,468</u>	<u>20,190,894</u>
Expenses (note 11)		
Research programs	9,997,932	10,208,972
Informatics and analysis	3,250,937	3,062,110
Industry and education (note 5)	2,620,374	2,064,229
Administrative support (note 4)	3,437,877	3,122,957
Knowledge translation	<u>2,065,694</u>	<u>1,678,956</u>
	<u>21,372,814</u>	<u>20,137,224</u>
Excess of revenues over expenses before items below	947,654	53,670
Other gains/losses		
Net loss resulting from share capital valuation	<u>(896,745)</u>	<u>(30,767)</u>
Excess of revenues over expenses	50,909	22,903
Net assets, beginning of year	<u>471,981</u>	<u>449,078</u>
Net assets, end of year	<u>\$ 522,890</u>	<u>\$ 471,981</u>

(See accompanying notes)

ONTARIO BRAIN INSTITUTE
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
CASH PROVIDED FROM (USED IN)		
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 50,909	\$ 22,903
Items not involving cash:		
Amortization of capital assets	204,737	221,773
Amortization of deferred capital contributions	(100,598)	(117,634)
Amortization of deferred lease inducement	(104,139)	(104,139)
Allowance for promissory notes	2,374	1,227,769
Net loss resulting from share capital valuation	<u>896,745</u>	<u>30,766</u>
	950,028	1,281,438
Change in non-cash operating working capital:		
Other receivables	(1,860)	86,566
Prepaid expenses and deposits	25,046	(297,298)
Accounts payable and accrued liabilities	(33,479)	(516,787)
Deferred contributions	(577,016)	1,622,384
Deferred industry funds	<u>(30,000)</u>	<u>-</u>
	<u>332,719</u>	<u>2,176,303</u>
INVESTING ACTIVITIES		
Issuance of promissory notes	(770,140)	(1,388,014)
Repayment of interest and principal on convertible loans	202,469	(42,224)
Investment in common shares	<u>(1,058,960)</u>	<u>(318,838)</u>
	<u>(1,626,631)</u>	<u>(1,749,076)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,293,912)	427,227
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,329,281</u>	<u>2,902,054</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,035,369</u>	<u>\$ 3,329,281</u>

(See accompanying notes)

ONTARIO BRAIN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

1. NATURE OF OPERATIONS

Ontario Brain Institute ("OBI") is a not-for-profit organization without share capital and on April 2, 2013, was continued under the Canada Not-for-profit Corporations Act.

OBI is funded by the Government of Ontario. OBI's existing contract with the Ministry of Economic Development, Job Creation and Trade beginning April 1, 2018, ends on March 31, 2023. The Ministry has committed funding to OBI of \$100,000,000 over five years. Effective 2019-20, the Ministry of Colleges and Universities (the "Ministry") administers this contract.

OBI was established to become an internationally recognized centre of excellence in brain and neuroscience research, clinical application of research, commercialization of research and education and training in research discoveries, relating to prevention, early detection, diagnosis, treatment and control of brain diseases and disorders.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook. Significant accounting policies are as follows:

Revenue recognition

OBI follows the deferral method of accounting for contributions.

Capital contributions for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate of the related capital assets.

Externally restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred.

Unrestricted contributions 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.

Restricted interest income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted interest income is recognized as revenue when earned.

Sublease revenue is recognized over the term of the lease.

Cash and cash equivalents

Cash and cash equivalents include cash on account and guaranteed investment certificates.

Capital assets

Capital assets are recorded at cost less accumulated amortization, provided on a straight-line basis over the estimated useful lives as follows:

Computer hardware	3 years
Computer software	2 years
Website	5 years
Furniture and equipment	5 years
Leasehold improvements	Over lease term

In the period of acquisition, 50% of the annual amortization rate is used.

ONTARIO BRAIN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Deferred lease inducement

The deferred lease inducement is amortized over the term of the lease agreement to correspond to the asset to which it relates.

Financial instruments

Financial assets are initially recognized at fair value when OBI becomes a party to the contractual provisions of the financial instrument. Cash and investments are subsequently measured at fair value and all of OBI's other financial instruments are measured at amortized cost.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight line method and recognized in net earnings as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the company recognizes in net earnings an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in net earnings in the period the reversal occurs.

Controlled entity

OBI has chosen not to consolidate the not-for-profit foundation it controls, and instead, to disclose summarized financial information of the controlled foundation.

Use of estimates

The preparation of 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 year. Actual results could differ from those estimates. Areas requiring significant estimates and assumptions include determining the allowance for doubtful accounts, valuation of investments, the useful lives of tangible capital assets, and the amount of accrued liabilities.

ONTARIO BRAIN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2023

3. INVESTMENTS

OBI uses the cost method to account for its investment in entities over which it does not exercise significant influence or control. The determination of when significant influence is present is a matter of professional judgment. If OBI holds less than 20% of the voting interest of the investee, it is presumed that it does not have the ability to exercise significant influence, unless such influence is clearly demonstrated. OBI has recorded the following investments at cost:

	<u>2023</u>	<u>2022</u>
Diamond Therapeutics Inc.	\$ 319,859	\$ -
Steadiwear Inc.	167,918	-
Voxel AI Inc.	279,989	-
Damona Pharmaceuticals Inc.	400,000	-
Interaxon Inc.	408,960	-
Retispec Inc.	<u>250,000</u>	<u>-</u>
	1,826,726	-
Less: impairment loss	<u>(719,859)</u>	<u>-</u>
Balance, end of year	<u>\$ 1,106,867</u>	<u>\$ -</u>

In accordance with the repayment terms of convertible promissory note, OBI received 142,159 voting common shares in lieu of cash payment from Diamond Therapeutics Inc. on December 1, 2022. As at March 31, 2023, OBI recorded an impairment loss of \$319,859 related to this investment due to uncertainty of future cash flows from the investment.

OBI purchased 479,679 voting common shares from Damona Pharmaceuticals Inc. for \$400,000 on July 19, 2022. As at March 31, 2023, OBI recorded an impairment loss of \$400,000 related to this investment due to uncertainty of future cash flows from the investment.

As at March 31, 2023, the fair market value of the publicly traded common shares that the company received on December 1, 2021 is \$111,186 (2022 - \$288,072):

	<u>2023</u>	<u>2022</u>
Mindset Pharma Inc.	\$ 288,072	\$ 318,838
Less: adjustment to fair value	<u>(176,886)</u>	<u>(30,766)</u>
Balance, end of year	<u>\$ 111,186</u>	<u>\$ 288,072</u>

ONTARIO BRAIN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2023

4. CAPITAL ASSETS

	2023		2022	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Computer hardware	\$ 148,189	\$ 144,196	\$ 148,189	\$ 136,212
Computer software	174,224	174,224	174,224	167,364
Website	150,093	150,093	150,093	150,093
Furniture and equipment	232,959	213,381	232,959	176,513
Leasehold improvement	<u>1,530,250</u>	<u>845,224</u>	<u>1,530,250</u>	<u>692,199</u>
	2,235,715	<u>\$ 1,527,118</u>	2,235,715	<u>\$ 1,322,381</u>
Less: accumulated amortization		<u>(1,527,118)</u>		<u>(1,322,381)</u>
	<u>\$ 708,597</u>		<u>\$ 913,334</u>	

Included in administrative support expense is amortization of capital assets of \$204,737 (2022 - \$221,773).

5. PROMISSORY NOTES

In 2020, OBI changed the form of funding that it provides to Neurotech Early Research Development entities to be in the form of loans where previously, OBI extended grants to these types of entities. During the year, OBI issued interest bearing convertible promissory notes to five (2022 - seven) companies totaling \$770,140 (2022 - \$1,388,014), including accrued interest. Certain promissory notes are convertible into common shares of the companies at the option of OBI at any time prior to the repayment or maturity date.

Given that these organizations are start-up companies, the risk of default of repayment is great and there is low probability that there will be value in equity in the future. During the year, \$767,766 of the loans were repaid.

Promissory notes includes:

	2023	2022
Promissory notes	\$ 3,403,716	\$ 3,603,811
Allowance for doubtful accounts	<u>(3,403,716)</u>	<u>(3,401,342)</u>
Balance, end of year	<u>\$ -</u>	<u>\$ 202,469</u>

Management assessed the recoverability of these notes and recorded an allowance of \$3,403,716 on the balance as at March 31, 2023 (2022 - \$3,401,342). Included in industry and education expense is bad debt expense of \$2,374 (2022 - \$1,227,769).

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances payable of \$513 (2022 -\$610), which includes amounts payable for payroll-related taxes.

ONTARIO BRAIN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2023

7. DEFERRED CONTRIBUTIONS

Changes in the deferred contributions balance during the year are as follows:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 3,126,087	\$ 1,503,703
Contributions received	19,871,022	21,005,333
Amounts recognized as revenue	<u>(20,448,038)</u>	<u>(19,382,949)</u>
Balance, end of year	<u>\$ 2,549,071</u>	<u>\$ 3,126,087</u>

8. DEFERRED LEASE INDUCEMENT

The deferred lease inducement represents a leasehold improvement inducement received and receivable from the landlord.

9. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of capital assets.

Changes in the deferred capital contributions balance during the year are as follows:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 389,909	\$ 507,543
Amounts amortized to revenue	<u>(100,598)</u>	<u>(117,634)</u>
Balance, end of year	<u>\$ 289,311</u>	<u>\$ 389,909</u>

10. ONTARIO BRAIN INSTITUTE FOUNDATION

OBI is related to the Ontario Brain Institute Foundation (the "Foundation") by virtue of sharing common Board of Directors.

The Ontario Brain Institute Foundation (the "Foundation") continued under the Canada Not-for-profit Corporations Act on April 28, 2014. The Foundation is a registered charity under the Income Tax Act (Canada) and was established to fund academic and treatment centres in Canada that are qualified donees for purposes of the Income Tax Act (Canada), in furtherance of brain and neuroscience research and the education and training of brain and neuroscience researchers.

OBI provides administrative support to the Foundation at no cost.

All related party transactions are in the normal course of operations and are measured at the exchange amounts, which is the amount of consideration agreed upon by the related parties.

ONTARIO BRAIN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2023

10. **ONTARIO BRAIN INSTITUTE FOUNDATION - Cont'd.**

The Foundation's financial statements have not been consolidated in OBI's financial statements. There are no restrictions on the resources of the Foundation, nor are there significant differences from the accounting policies used by OBI.

Financial summaries of the Foundation are as follows:

(a) Financial position:

	<u>2023</u>	<u>2022</u>
<i>Assets</i>		
Cash	\$ 408,465	\$ 463,954
Other receivables	1,748	86
Prepaid Expenses	1,373	-
	<u>\$ 411,586</u>	<u>\$ 464,040</u>
<i>Liabilities and net assets</i>		
Accounts payable and accrued liabilities	\$ 11,450	\$ 9,459
Net assets	<u>400,136</u>	<u>454,581</u>
	<u>\$ 411,586</u>	<u>\$ 464,040</u>

(b) Statement of operations:

	<u>2023</u>	<u>2022</u>
Revenue	\$ 29,023	\$ 18,061
Expenses	<u>83,468</u>	<u>77,033</u>
Deficiency of revenue over expenses	<u>\$ (54,445)</u>	<u>\$ (58,972)</u>

(c) Changes in net assets:

	<u>2023</u>	<u>2022</u>
Net assets, beginning of year	\$ 454,581	\$ 513,553
Deficiency of revenue over expenses	<u>(54,445)</u>	<u>(58,972)</u>
Net assets, end of year	<u>\$ 400,136</u>	<u>\$ 454,581</u>

(d) Statement of cash flows:

	<u>2023</u>	<u>2022</u>
Increase (decrease) in cash from operating activities	\$ (55,489)	\$ (106,365)
Cash, beginning of year	<u>463,954</u>	<u>570,319</u>
Cash, end of year	<u>\$ 408,465</u>	<u>\$ 463,954</u>

11. **EXPENSES**

Salaries and benefit expenses included in expenses are as follows:

	<u>2023</u>	<u>2022</u>
Research programs	\$ 559,456	\$ 440,730
Informatics and analysis	350,458	287,516
Industry and education	538,031	440,234
Administrative support	1,614,797	1,574,701
Knowledge translation	<u>672,984</u>	<u>623,169</u>
	<u>\$ 3,735,726</u>	<u>\$ 3,366,350</u>

ONTARIO BRAIN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2023

12. COMMITMENTS

(a) Lease and other commitments:

During the year and subsequent to year end, OBI entered into various operating contracts and leases for its premises, office equipment and other services. OBI sub-leases certain premises, revenue of which is recorded in other revenue. OBI maintains ultimate responsibility related to the leases between OBI and the landlords. The future minimum payments for leases and other services, net of sub-lease receipts, are as follows:

	<u>OBI's commitments</u>	<u>Sub-lease receipts</u>	<u>Total</u>
2024	1,551,955	305,127	1,246,828
2025	825,559	305,127	520,432
2026	825,559	305,127	520,432
2027	825,559	305,127	520,432
2028	825,559	305,127	520,432
Thereafter	<u>481,576</u>	<u>177,991</u>	<u>303,585</u>
	<u>\$ 5,335,767</u>	<u>\$ 1,703,626</u>	<u>\$ 3,632,141</u>

(b) Grant commitments:

OBI has approved grants of \$nil (2022 - \$9,810,296), which will be paid in future years once the conditions of the grants have been met. These amounts are not reflected in the statement of operations and changes in net assets.

13. ADDITIONAL INFORMATION

Reconciliation of statement of operations to Ministry Report:

Total operating revenue	<u>\$ 22,320,468</u>
Add:	
Deferred operating contributions	<u>2,643,584</u>
Less:	
Net loss resulting from share capital valuation	896,745
Other Non-Ministry revenue	50,909
Amortization of deferred industry funds	30,000
Deferred capital contributions, net change	100,598
Sublease revenue	<u>639,222</u>
	<u>1,872,431</u>
Total Ministry revenue	<u>\$ 23,091,621</u>
Total operating expenses	<u>\$ 21,372,814</u>
Add:	
New Investments	<u>1,826,726</u>
Less:	
Decennial Sponsorship and Key Opinion Leader Group Revenue	154,957
Expenses funded through non-ministry revenue	30,000
Change in prepaid expenses and deposits	25,046
Amortization of capital assets (net of leasehold inducement)	100,598
Rent expense on subleased offices	<u>639,222</u>
	<u>949,823</u>
Total Ministry expenses	<u>\$ 22,249,717</u>

ONTARIO BRAIN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2023

14. FINANCIAL INSTRUMENTS

OBI is exposed to and manages various risks resulting from its financial instruments. The following analysis provides a measure of OBI's risk exposure and concentrations:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. OBI's maximum exposure to credit risk represents the sum of the carrying value of its cash and cash equivalents, other receivables, and promissory notes. OBI's cash and cash equivalents are held with a Canadian chartered bank. OBI assesses, on a continuous basis, accounts receivable and promissory notes, and provides for any amounts that are not collectible in the allowance for doubtful accounts. As a result, management believes the risk of loss of these items to be remote.

Liquidity risk

Liquidity risk is the risk that OBI cannot meet a demand for cash or fund its obligations as they become due. OBI manages its liquidity risk by preparing budgets and monitoring cash flow forecasts to ensure it has sufficient funds to fulfill its obligations. As a result, management believes its exposure to liquidity risk is minimal.

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 is comprised of currency risk, interest rate risk and other price risk.

i) *Currency risk*

Currency risk refers to the risk that the fair value of instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. OBI's financial instruments are all denominated in Canadian dollars. The statement of financial position includes the following amounts that are denominated or to be settled in a currency other than the Canadian dollar:

Cash	\$294,741 CAD	\$217,794 USD
Accounts payable and accrued liabilities	\$17,841 CAD	\$13,183 USD

ii) *Interest rate risk*

Interest rate risk refers to the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market interest rates. OBI's cash earns interest at prevailing market rates and the interest rate exposure related to these financial instruments is negligible. As a result, management does not believe it is exposed to significant interest rate risk.

ONTARIO BRAIN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2023

14. **FINANCIAL INSTRUMENTS - Cont'd.**

Market risk - Cont'd.

iii) *Other price risk*

Other price risk refers to the risk that the fair value or future cash flows of financial instruments will fluctuate because of the changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument, its issuers, or factors affecting all similar instruments traded in the market. OBI has investments in equities that are publicly traded. OBI's maximum exposure to other price risk represents the sum of the carrying value of its equity investments (see note 3).

Changes in risk

With the exception of the investment in publicly traded securities, there were no other significant changes in risk exposure from the previous year.

15. **COMPARATIVE FIGURES**

Comparative figures have been reclassified in order to conform to the financial statement presentation adopted in the current year.