

**Douglas Mental Health University
Institute Foundation**

**Financial Statements
March 31, 2014**

Independent Auditor's Report	2 - 3
Financial Statements	
Operations	4 - 5
Changes in Fund Balances	6
Cash Flows	7
Financial Position	8
Notes to Financial Statements	9 - 18



Raymond Chabot Grant Thornton LLP
Suite 2000
National Bank Tower
600 De La Gauchetière Street West
Montréal, Quebec H3B 4L8

Independent Auditor's Report

Telephone: 514-878-2691
Fax: 514-878-2127
www.rcgt.com

To the Directors of
Douglas Mental Health University Institute Foundation

We have audited the accompanying financial statements of the Douglas Mental Health University Institute Foundation, which comprise the statement of financial position as at March 31, 2014 and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Douglas Mental Health University Institute Foundation as at March 31, 2014 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.

Raymond Chabot Grant Thornton LLP

Montréal
June 9, 2014

¹ CPA auditor, CA public accountancy permit no. A106684

**Douglas Mental Health University
Institute Foundation
Operations**

Year ended March 31, 2014

	2014	2013
	\$	\$
Revenues		
Donations		
Businesses	570,446	833,174
Not-for-profit organizations	636,363	395,472
Individuals	375,368	448,289
	<u>1,582,177</u>	<u>1,676,935</u>
Net investment income		
Dividends	163,911	143,404
Interest	171,596	191,108
Management fees	(46,408)	(57,562)
Changes in fair value	652,037	340,241
	<u>941,136</u>	<u>617,191</u>
Activities and events		
Douglas Employee Lottery	67,125	76,110
Events	320,987	603,288
	<u>388,112</u>	<u>679,398</u>
Parking lot		
Parking activities	443,106	449,309
	<u>443,106</u>	<u>449,309</u>
Amortization of deferred contributions related to tangible capital assets	2,110	2,110
	<u>3,356,641</u>	<u>3,424,943</u>
Expenses		
Salaries and employee benefits	457,997	404,692
Subscription and membership fees	2,912	4,782
Training	7,131	4,101
Supplies and offices expenses	25,769	26,896
Bank charges	5,581	4,932
Management fees and rental parking	416,567	408,871
Activities and events fees	169,850	289,913
Meetings	3,229	4,174
Professionnals fees	120,372	296,232
Rental expenses	3,000	
Advertising and website	32,392	5,320
Entertainment	1,032	469
Telecommunications	2,477	2,546
Amortization of property, plant and equipment	3,110	3,293
Loss on disposal of a work of art		1,200
	<u>1,251,419</u>	<u>1,457,421</u>
Excess of revenues over expenses before donations	<u>2,105,222</u>	<u>1,967,522</u>

**Douglas Mental Health University
Institute Foundation
Operations**

Year ended March 31, 2014

	<u>2014</u>	<u>2013</u>
	\$	\$
Donations		
Douglas Mental Health University Institute		
Restricted donations	188,766	209,626
Other	5,000	5,000
Douglas Hospital Research Centre		
Restricted donations	864,721	742,310
Donations for operations	1,000,000	875,000
Auxiliary of the Douglas Hospital		510
McGill Centre for studies in aging		50,400
	<u>2,058,487</u>	<u>1,882,846</u>
Excess of revenues over expenses	<u>46,735</u>	<u>84,676</u>

The accompanying notes are an integral part of the financial statements.

Douglas Mental Health University
Institute Foundation
Changes in Fund Balances

Year ended March 31, 2014

	2014					2013	
	Invested in capital assets	Unrestricted General Fund	Internally restricted General Fund	Internally restricted Endowment Fund	Externally restricted Endowment Fund	Restricted Fund Donations	Total
Balance, beginning of year	\$ 22,159	\$ 4,418,443	\$ 1,300,574	\$ 1,930,624	\$ 1,439,970	\$	\$ 9,111,770
Internal restrictions (Note 10)		(67,865)	(52,135)			120,000	
Transfer (a)	(1,000)	(247,140)		247,140			
Excess (deficiency) of revenues over expenses		47,735					
Balance, end of year	\$ 21,159	\$ 4,151,173	\$ 1,248,439	\$ 2,177,764	\$ 1,439,970	\$ 120,000	\$ 9,111,770

(a) The transfer represents investment income on undistributed donations to the internally restricted Endowment Fund and externally restricted fund except for the funds Estate of the late J. Borkowitz.

The accompanying notes are an integral part of the financial statements.

**Douglas Mental Health University
Institute Foundation
Cash Flows**

Year ended March 31, 2014

	2014	2013
	\$	\$
OPERATING ACTIVITIES		
Excess of revenues over expenses	46,735	84,676
Net change in fair value of investments	(652,037)	(340,241)
Loss on disposal of a work of art		1,200
Amortization of tangible capital assets	3,110	3,293
Amortization of deferred contributions related to tangible capital assets	(2,110)	(2,110)
Changes in working capital items and deferred contributions		
Amounts receivable from the broker	27,634	1,245,945
Amounts receivable from Douglas Mental Health University Institute	(40,821)	2,323
Interest and dividends receivable	5,703	8,195
Indirect taxes receivable	40,327	(18,854)
Other amounts receivable	336,464	(336,202)
Prepaid expenses	2,506	1,652
Trade payable and other operating liabilities	27,667	(16,547)
Amounts payable to broker	(27,891)	8,756
Amounts payable to Douglas Mental Health University Institute	(76,412)	19,057
Amounts payable to Douglas Hospital Research Centre	(155,152)	135,927
Deferred contributions	24,641	(294,013)
Cash flows from operating activities	<u>(439,636)</u>	<u>503,057</u>
INVESTING ACTIVITIES		
Investments	782,406	832,007
Acquisition of tangible capital assets		(2,029)
Cash flows from investing activities	<u>782,406</u>	<u>829,978</u>
Net increase in cash and cash equivalents	342,770	1,333,035
Cash (bank overdraft), beginning of year	<u>251,665</u>	<u>(1,081,370)</u>
Cash, end of year	<u>594,435</u>	<u>251,665</u>

The accompanying notes are an integral part of the financial statements.

**Douglas Mental Health University
Institute Foundation
Financial Position**

March 31, 2014

	2014		2013
	General Fund	Endowment Fund	Total
	\$	\$	\$
ASSETS			
Current			
Cash	594,435	-	251,665
Amounts receivable from the broker			27,634
Amounts receivable from Douglas Mental Health University Institute	43,961		3,140
Interests and dividends receivable	51,478		57,181
Indirect taxes receivable			40,327
Other amounts receivable	287		336,751
Prepaid expenses	786		3,292
	<u>690,947</u>		<u>719,990</u>
Long-term			
Investments (Note 3)	5,514,245	3,617,734	9,111,630
Works of art	20,150		20,150
Tangible capital assets (Note 4)	6,284		9,394
	<u>6,231,626</u>	<u>3,617,734</u>	<u>9,861,164</u>
LIABILITIES			
Current			
Trade payables and other operating liabilities (Note 5)	59,313		31,646
Amounts payable to broker	7,558		35,449
Amounts payable to Douglas Mental Health University Institute			76,412
Amounts payable to Douglas Hospital Research Centre	1,400		156,552
	<u>68,271</u>		<u>300,059</u>
Long-term			
Deferred contributions (Note 6)	617,309		441,950
Deferred contributions related to tangible capital assets (Note 7)	5,275		7,385
	<u>690,855</u>		<u>749,394</u>
FUND BALANCES			
Invested in capital assets	1,009		2,009
Restricted			
Externally restricted endowments (Note 8)		1,439,970	1,439,970
Internally restricted endowments (Note 8)		2,177,764	1,828,205
Internally restricted (Note 9)	1,248,439		1,318,950
Restricted donations	120,000		6,987
Unrestricted	4,171,323		4,410,469
	<u>5,540,771</u>	<u>3,617,734</u>	<u>9,006,590</u>
	<u>6,231,626</u>	<u>3,617,734</u>	<u>9,849,360</u>

The accompanying notes and schedules are an integral part of the financial statements.

On behalf of the Board


Director


Director

**Douglas Mental Health University
Institute Foundation
Notes to Financial Statements**

March 31, 2014

1 - GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION

The Foundation was incorporated under the Canada Corporations Act for the purpose of collecting, investing and distributing financial resources for the Douglas mental health university institute and the Research Centre, or any other affiliated institution in the province of Québec which carries out its medical or related activities.

The Foundation is a registered charity under the Income Tax Act.

2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Foundation's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Foundation may undertake in the future. Actual results may differ from these estimates.

Fund accounting

Revenues and expenses related to annual donations, carrying out fund-raising activities, parking activities and administrative activities are recognized in the General Fund.

Endowment donations received are reported in the Endowment Fund. The externally restricted Endowment Fund includes a permanent amount in accordance with the donor's wishes and investment income from that donation when it is to be added to the capital.

**Douglas Mental Health University
Institute Foundation
Notes to Financial Statements**

March 31, 2014

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities

Initial measurement

Upon initial measurement, the Foundation's financial assets and liabilities are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs. Transaction costs relating to financial assets and liabilities that will be measured subsequently at fair value are recognized in operations in the year they are incurred.

Subsequent measurement

At each reporting date, the Foundation measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets), except for investments in common shares which are measured at fair value and bond investments, money market and others which the Foundation has elected to measure at fair value by designating that fair value measurement shall apply.

With respect to financial assets measured at amortized cost, the Foundation assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Foundation determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in operations in the year the reversal occurs.

**Douglas Mental Health University
Institute Foundation
Notes to Financial Statements**

March 31, 2014

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Contributions

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

Contributions restricted for operating expenses are recognized as revenue in the General Fund, using the deferral method, in the year during which the related expenses are incurred. Restricted contributions for which the Foundation does not have a related restricted fund are recognized in the General Fund using the deferral method. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

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

Contributions received as endowments are recognized as revenue of the Endowment Fund.

Net investment income

Investment transactions are recorded on the transaction date and resulting revenues are recognized using the accrual method of accounting.

Net investment income includes interest income, dividends income and changes in fair value.

Restricted investment income is recognized as revenue of the General Fund in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when it is earned. Interest income is recognized based on the number of days the investment was held during the year and is calculated using the effective interest method. Dividend income is recognized as of the ex-dividend date. Changes in fair value are recognized when they occur.

In accordance with the donor's wishes, undistributed investment income from the externally restricted Endowment Fund (Estate of the late J. Borkowitz) is recognized as deferred contributions rather than an increase in the Endowment Fund balance.

Investment income from internal and external endowment funds (other than the Estate of the late J. Borkowitz) are unrestricted and recognized as revenue when they are earned in the General Fund.

**Douglas Mental Health University
Institute Foundation
Notes to Financial Statements**

March 31, 2014

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed supplies and services

The Foundation may recognize contributed supplies and services when the fair value of these contributions can be reasonably estimated and if it would have had to otherwise acquire these supplies and services for its normal operations.

Tangible capital assets

Tangible capital assets acquired are recorded at cost. When the Foundation receives contributions of tangible capital assets, their cost is equal to their fair value at the contribution date or to a nominal value of \$1 if the fair value cannot be reasonably determined.

Amortization

Tangible capital assets are amortized on a straight-line basis over their estimated useful lives at the following annual rates:

	<u>Rate</u>
Furniture	10%
Multimedia equipment	33.3%
Data processing equipment	33.3%

Write-down

When the Foundation recognizes that a tangible capital asset no longer has any long-term service potential, the excess of net carrying amount of the tangible capital asset over its residual value is recognized as an expense in the statement of operations.

Works of art

Donated works of art are recognized at their fair market value when they are acquired and are not amortized.

**Douglas Mental Health University
Institute Foundation
Notes to Financial Statements**

March 31, 2014

3 - INVESTMENTS

	2014		2013	
	Cost	Quoted value	Cost	Quoted value
	\$	\$	\$	\$
<i>Investments measure at fair value</i>				
General Fund				
Fixed income securities				
Money market	30,119	30,153	62,848	62,869
Bonds				
Federal government	376,210	377,592	500,023	500,354
Provincial government	463,676	481,904	470,815	483,013
Municipal government	325,049	346,180	359,267	390,770
Corporate	1,027,026	1,056,511	1,183,298	1,230,162
Others	139,121	123,635	154,926	161,294
Canadian shares	2,215,995	3,051,218	2,297,786	2,863,943
International shares	21,754	47,052	25,355	48,631
	4,598,950	5,514,245	5,054,318	5,741,036
Endowment Fund				
Fixed income securities				
Money market	19,763	19,785	36,895	36,907
Bonds				
Federal government	246,861	247,768	293,538	293,733
Provincial government	304,253	316,215	276,391	283,552
Municipal government	213,290	227,156	210,907	229,402
Corporate	673,911	693,259	694,655	722,166
Others	91,288	81,126	90,950	95,008
Canadian shares	1,453,595	2,001,551	1,348,914	1,681,277
International shares	14,275	30,874	14,885	28,549
	3,017,236	3,617,734	2,967,135	3,370,594
	7,616,186	9,131,979	8,021,453	9,111,630

**Douglas Mental Health University
Institute Foundation
Notes to Financial Statements**

March 31, 2014

4 - TANGIBLE CAPITAL ASSETS

			2014	2013
	Cost	Accumulated amortization	Net carrying amount	Net carrying amount
	\$	\$	\$	\$
Furniture	21,100	15,825	5,275	7,385
Miltimedia equipement	2,029	1,020	1,009	1,686
Data processing equipment	10,671	10,671		323
	33,800	27,516	6,284	9,394

5 - TRADES PAYABLES AND OTHER OPERATING LIABILITIES

Government remittances total \$20,832 as at March 31, 2014 (\$2,990 as at March 31, 2013).

6 - DEFERRED CONTRIBUTIONS

Deferred contributions recognized in the General Fund represent unused resources which, as a result to cover operating expenses and contributions for the coming years.

Changes in the deferred contributions balance are as follows:

	2014	2013
	\$	\$
Balance, beginning of year	441,950	735,963
Amount recognized as revenue for the year	(50,243)	(290,177)
Amount recognized as net invetsment income	(20,000)	(37,065)
Investment income - Estate of the late J. Borkowitz	26,750	32,809
Amount received during the year	218,852	420
Balance, end of year	617,309	441,950

Deferred contributions consist of:

	2014	2013
	\$	\$
Investment income - Estate of the late J. Borkowitz for Douglas Hospital	256,313	249,563
Planned giving and major gifts program	27,144	27,144
Douglas Mental Health University Institute	52,300	5,000
Douglas Hospital Research Centre	71,552	
Campaign "Invest in Healthy Minds"	210,000	160,243
	617,309	441,950

**Douglas Mental Health University
Institute Foundation
Notes to Financial Statements**

March 31, 2014

7 - DEFERRED CONTRIBUTIONS RELATED TO TANGIBLE CAPITAL ASSETS

Deferred contributions related to tangible capital assets represent tangible capital asset contributions received. The changes during the year are as follows:

	<u>2014</u>	<u>2013</u>
	\$	\$
Balance, beginning of year	7,385	9,495
Amortized amount in statement of operations	<u>(2,110)</u>	<u>(2,110)</u>
Balance, end of year	<u>5,275</u>	<u>7,385</u>

The deferred contributions are amortized on the same basis as the related tangible capital assets.

8 - ENDOWMENT FUND

As at March 31, 2014, the Endowment Fund consisted of:

	<u>2014</u>	<u>2013</u>
	\$	\$
a) External restrictions		
Estate of the late J. Borkowitz	186,930	186,930
The Hay Foundation	10,000	10,000
The Deirdre Stevenson Mental Health Fund	242,200	242,200
J. Armand Bombardier Fund for the Quality of Care in Mental Health	300,000	300,000
Terry McLean Memorial Fund in Mental Health		
Molson Foundation - Molson Fellowship in Healthy Aging	590,000	590,000
The Michael Novak and Kathleen Weil Endowment in Mental Health	100,840	100,840
The Leo and Rachel Hendlisz Fund in Mental Health	<u>10,000</u>	<u>10,000</u>
	<u>1,439,970</u>	<u>1,439,970</u>
b) Internal restrictions		
Estate of the late Honourable Hartlard de M. Molson	704,550	691,982
The Molson Foundation	690,695	678,147
The Hay Foundation	3,797	3,556
The Deirdre Stevenson Mental Health Fund	51,418	46,591
J. Armand Bombardier Fund for the Quality of Care in Mental Health	46,044	39,500
Molson Foundation - Molson Fellowship in Healthy Aging	71,848	60,559
The Michael Novak and Kathleen Weil Endowment in Mental Health	8,095	6,262
The Leo and Rachel Hendlisz Fund in Mental Health	819	636
Accumulated unrealized gain on available-for-sale investments	<u>600,498</u>	<u>403,391</u>
	<u>2,177,764</u>	<u>1,930,624</u>
	<u>3,617,734</u>	<u>3,370,594</u>

**Douglas Mental Health University
Institute Foundation
Notes to Financial Statements**

March 31, 2014

9 - INTERNAL RESTRICTIONS - GENERAL FUND

The Foundation's Board of Directors approved internal restrictions to offset a decline in the value of investments in accordance with the Board's distribution objectives. The objective is to insure a minimum investment revenue for the Foundation's operations. The return on investment for the last three years is lower than the set objective of the Foundation. Accordingly, \$52,135 has been decreased this year for future years.

10 - GIFTS-IN-KIND

Gifts-in-kind recognized during the year consist of:

	<u>2014</u>		<u>2013</u>	
	Revenues	Expenses and donations	Revenues	Expenses and donations
	\$	\$	\$	\$
Individuals	33,579	16,848	60,758	14,280
Loss on disposal of tangible capital assets				1,200
	<u>33,579</u>	<u>16,848</u>	<u>60,758</u>	<u>15,480</u>

The Foundation has received gifts-in-kind, in the form of investments, amounting \$16,731 in 2014 (\$46,478 in 2013).

11 - RECEIPT FROM DONATIONS AND EVENTS

	<u>2014</u>	<u>2013</u>
	\$	\$
Donations recognized in the statement of revenues and expenses	1,970,289	2,356,333
Donations received and treated as deferred contributions	218,852	420
Donations from the deferred contributions recognized in the statement of revenues and expenses	<u>(50,423)</u>	<u>(290,177)</u>
	<u>2,138,718</u>	<u>2,066,576</u>

Douglas Mental Health University Institute Foundation

Notes to Financial Statements

March 31, 2014

12 - FINANCIAL INSTRUMENTS

Financial risks

The Foundation's main financial risk exposure is detailed as follows:

Credit risk

The Foundation is exposed to credit risk regarding the financial assets recognized in the statement of financial position, other than investments in Canadian shares and International shares. The Foundation has determined that the financial assets with more credit risk exposure are amounts receivable from the broker, amount receivable from Douglas Mental Health University Institute, interests and dividends receivable and other amounts receivable since failure of any of these parties to fulfil their obligations could result in significant financial losses for the Foundation.

The credit risk regarding cash is considered to be negligible because it is held by a reputable financial institution with an investment grade external credit rating. The credit risk related to bond investments is also considered negligible because they are mainly issued by governments.

Market risk

The Foundation's financial instruments expose it to market risk, in particular, interest rate risk and other price risk, resulting from its operating and investing activities:

- Interest rate risk:

The Foundation is exposed to interest rate risk with respect to financial assets bearing fixed interest rates:

The fixed income securities bear interest at a fixed rate and the Foundation is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

- Other price risk

The Foundation is exposed to other price risk due to investments in Canadian shares, International shares since changes in market prices could result in changes in fair value or cash flows of these instruments.

Liquidity risk

The Foundation's liquidity risk represents the risk that the Foundation could encounter difficulty in meeting obligations associated with its financial liabilities. The Foundation is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized in the statement of financial position.

**Douglas Mental Health University
Institute Foundation
Notes to Financial Statements**

March 31, 2014

12 - FINANCIAL INSTRUMENTS (Continued)

Carrying amount of financial assets by categories

The carrying amount of the Foundation's financial assets that are measured at amortized cost totals \$690,161 (\$676,371 as at March 31, 2013), whereas the carrying amount of financial assets measured at fair value totals \$9,131,979 (\$9,111,630 as at March 31, 2013).

13 - RELATED PARTY TRANSACTIONS

The Foundation has a economic interest in the Douglas Mental Health University Institute by collecting, investing and distributing financial resources for it's pupose.

During the year, the Foundation paid \$416,567 (\$408,871 in 2013) in parking fees to the Douglas Mental Health University Institute.

These transactions were concluded in the normal course of operations and measured at the exchange amount established and accepted by the parties.

14 - CONTINGENCY

The Foundation has a letter of guarantee issued on behalf of the Régie des alcools, des courses et des jeux in the amount of \$26,000.

15 - COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.