

**Douglas Mental Health University  
Institute Foundation**

**Financial Statements  
March 31, 2012**

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## Independent Auditor's Report

To the Directors of  
Douglas Mental Health University Institute Foundation

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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, 2012 and the statements of revenues and expenses, 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.

## Douglas Mental Health University Institute Foundation

### Changes in Fund Balances

Year ended March 31, 2012

	Restricted						2012	2011
	Invested in capital assets	Unrestricted General Fund	General Fund	Internally restricted Endowment Fund	Externally restricted Endowment Fund	Restricted donations	Total	Total
Balance, beginning of year	23,354	5,836,607	958,118	1,815,143	1,350,456	6,987	9,990,665	10,282,933
Internal restrictions (Note 8)		(359,694)	360,832	(1,138)				
Transfer (*)		(85,180)		85,180				
Endowment for the year		(1,138)			110,840		110,840	
Endowment reimbursement	(841)	(693,955)			(21,326)		(22,464)	
Deficiency of revenues over expenses							(694,796)	
	22,513	4,696,640	1,318,950	1,899,185	1,439,970	6,987	9,384,245	9,713,391
Changes in unrealized gains on available-for-sale investments during the year								
Unrealized gains on available-for-sale investments		66,294					66,294	683,905
Reclassification to the statement of revenues and expenses of the net gain realized on disposal of investments		(423,445)					(423,445)	(406,631)
Transfer (*)		(357,151)					(357,151)	277,274
		70,980		(70,980)				
		(286,171)		(70,980)			(357,151)	277,274
Balance, end of year	22,513	4,410,469	1,318,950	1,828,205	1,439,970	6,987	9,027,094	9,990,665

(\*) The transfer represents investment income on undistributed donations to the internally restricted Endowment Fund and externally restricted Endowment Fund except for the 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, 2012

	<u>2012</u>	<u>2011</u>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Deficiency of revenues over expenses	(694,796)	(569,542)
Gain on disposal of investments	(423,445)	(406,631)
Amortization of capital assets	2,951	2,627
Amortization of deferred contributions related to capital assets	(2,110)	(2,110)
Changes in working capital items		
Amounts receivable from the broker	(1,273,579)	314,180
Amounts receivable from Douglas Mental Health University Institute	(5,258)	532
Interest and dividends receivable	18,127	(9,220)
Other amounts receivable	6,460	(9,083)
Prepaid expenses	(4,013)	(165)
Accounts payable and accrued liabilities	(13,584)	14,470
Amounts payable to the broker	26,693	(351,752)
Amounts payable to Douglas Mental Health University Institute	(9,061)	(27,012)
Amounts payable to Douglas Hospital Research Centre	19,625	(12,577)
Deferred contributions	130,373	219,582
Cash flows from operating activities	<u>(2,221,617)</u>	<u>(836,701)</u>
<b>INVESTING ACTIVITIES</b>		
Investments	784,135	554,465
Capital assets		(2,521)
Cash flows from investing activities	<u>784,135</u>	<u>551,944</u>
<b>FINANCING ACTIVITIES</b>		
Endowment fund and cash flows from financing activities	88,376	
<b>Net decrease in cash</b>	<u>(1,349,106)</u>	<u>(284,757)</u>
Cash, beginning of year	267,736	552,493
Cash (bank overdraft), end of year	<u>(1,081,370)</u>	<u>267,736</u>

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

# Douglas Mental Health University Institute Foundation

## Financial Position

March 31, 2012

	2012		2011
	General Fund	Endowment Fund	Total
	\$	\$	\$
<b>ASSETS</b>			
Current assets			
Cash			267,736
Amounts receivable from the broker	1,273,579		1,273,579
Amounts receivable from Douglas Mental Health University Institute	5,463		5,463
Interest and dividends receivable	65,376		65,376
Other amounts receivable	22,022		22,022
Prepaid expenses	4,944		4,944
	1,371,384		1,371,384
Investments, at cost (Note 3)	6,335,221	3,268,175	9,603,396
Capital assets (Note 4)	32,008		32,008
	7,738,613	3,268,175	11,006,788
<b>LIABILITIES</b>			
Current liabilities			
Bank overdraft	1,081,370		1,081,370
Accounts payable and accrued liabilities	48,193		48,193
Amounts payable to the broker	26,693		26,693
Amounts payable to Douglas Mental Health University Institute	57,355		57,355
Amounts payable to Douglas Hospital Research Centre	20,625		20,625
	1,234,236	—	1,234,236
Deferred contributions (Note 5)	735,963		735,963
Deferred contributions related to capital assets (Note 6)	9,495		9,495
	1,979,694	—	1,979,694
<b>FUND BALANCES</b>			
Invested in capital assets	22,513		22,513
Restricted			
Externally restricted endowments (Note 7)		1,439,970	1,439,970
Internally restricted endowments (Note 7)		1,828,205	1,828,205
Internally restricted (Note 8)	1,318,950		1,318,950
Restricted donations	6,987		6,987
Unrestricted	4,410,469		4,410,469
	5,758,919	3,268,175	9,027,094
	7,738,613	3,268,175	11,006,788

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

On behalf of the Board,

*Jane W. Lalonde*

Director

Director

# Douglas Mental Health University Institute Foundation

## Notes to Financial Statements

March 31, 2012

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### 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 its Research Centre, or any other affiliated institution in the province of Quebec 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 financial statements are prepared using the historical cost method, except for certain financial instruments that are recognized at fair value. No information on fair value is presented when the carrying amount corresponds to a reasonable approximation of the fair value.

#### Financial assets and liabilities

The Foundation has chosen to apply the recommendations of Section 3861, "Financial Instruments – Disclosure and Presentation", of the *Canadian Institute of Chartered Accountants' Handbook* with respect to the presentation and disclosure of financial instruments.

On initial recognition, all financial assets and liabilities are measured and recognized at their fair value. Transaction costs from held-for-trading financial assets and liabilities are recognized in revenues and expenses. Transaction costs from available-for-sale financial assets and loans and receivables increase the carrying amount of the related financial assets. Transaction costs from other financial liabilities reduce the carrying amount of the related financial liabilities.

Subsequently, financial assets and liabilities are measured and recognized as follows:

- Cash is classified as held-for-trading financial assets and is measured at fair value;
- Amounts receivable and interest and dividends receivable are classified as loans and receivables. They are measured at amortized cost calculated using the effective interest method (including any impairment);
- The fixed income securities and Canadian and International shares are classified as available-for-sale investments. They are recognized at fair value and changes in fair value are recognized in the statement of changes in fund balances until the investments are sold or are impaired. When they are sold or sustain a decline in value that is other than temporary, the related accumulated gains or losses, which are presented in the statement of changes in fund balances, are then reclassified in the statement of revenues and expenses under Gain on disposal of investments;
- The bank overdraft, accounts payable and accrued liabilities are classified as other financial liabilities. They are measured at amortized cost using the effective interest method.

# Douglas Mental Health University Institute Foundation

## Notes to Financial Statements

March 31, 2012

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### **2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Accounting estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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**

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

Revenues and expenses related to annual donations, carrying out fundraising 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.

#### **Revenue recognition**

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the General Fund in the year in which the expenses are incurred and recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted donations 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. Endowment contributions are reported as direct increases in fund balances.

Donations and fundraising campaign activities and contribution for the parking activities are recognized as revenue of the General Fund when the activities take place and collection is reasonably assured.

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.

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, 2012

### 2 - ACCOUNTING POLICIES (Continued)

#### Contributed supplies and services

The Foundation recognizes 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.

#### Capital assets

Capital assets are recorded at cost. When the Foundation receives capital asset contributions, 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.

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

	<u>Rates</u>
Furniture	10%
Data processing equipment	33.3%

#### Works of art

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

### 3 - INVESTMENTS

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Quoted value</u>	<u>Cost</u>	<u>Quoted value</u>
	\$	\$	\$	\$
Available-for-sale investments				
Fixed income securities (a)	4,825,721	5,021,192	5,513,004	5,564,962
Canadian shares (b)	3,571,916	4,491,347	3,303,684	4,756,275
International shares	58,362	90,857		
	<u>8,455,999</u>	<u>9,603,396</u>	<u>8,816,688</u>	<u>10,321,237</u>

- (a) Fixed income securities bear interest at rates varying from 1.85% to 8.05% and mature from April 2013 to December 2041.

Of the fixed income securities, 48% (47% in 2011) are guaranteed by the provinces and/or federal government.

The average effective rate is 4.5% (4.6% in 2011).

- (b) The banking sector accounts for 25% (27% in 2011) of Canadian shares.

Donated investments are recognized at the fair market value at the date of the contribution.

The fair value of the investments is based on their closing bid price.



# Douglas Mental Health University Institute Foundation

## Notes to Financial Statements

March 31, 2012

### 4 - CAPITAL ASSETS

	2012		2011
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Furniture	21,100	11,605	11,605
Data processing equipment	10,671	9,508	2,004
Works of art	21,350		21,350
	53,121	21,113	34,959

The capital assets amortization expense for the year is \$2,951 (\$2,627 in 2011).

### 5 - DEFERRED CONTRIBUTIONS

Deferred contributions recognized in the General Fund apply to financing received to date to cover expenses and contributions in the future. Changes in the deferred contribution balance are as follows:

	2012	2011
	\$	\$
Balance, beginning of year	605,590	386,008
Amount recognized as revenues	(413,200)	(171,426)
Amount received during the year	543,573	391,008
Balance, end of year	735,963	605,590

Deferred contributions consist of:

	2012	2011
	\$	\$
Investment income – Estate of the late J. Borkowitz for Douglas Hospital	253,819	238,256
Planned giving and major gifts program	27,144	27,144
Douglas Hospital Research Centre	13,000	45,940
Douglas Hospital Research Centre	219,000	56,000
Postdoctoral fellowship (Eating Disorders)		5,000
Campaign "Invest in Healthy Minds"	223,000	233,250
	735,963	605,590

### 6 - DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

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

	2012	2011
	\$	\$
Balance, beginning of year	11,605	13,715
Amortized amount in statement of revenues and expenses	(2,110)	(2,110)
Balance, end of year	9,495	11,605

# Douglas Mental Health University Institute Foundation

## Notes to Financial Statements

March 31, 2012

### 6 - DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Continued)

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

### 7 - ENDOWMENT FUND

As at March 31, 2012, the Endowment Fund consists of:

	2012	2011
	\$	\$
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		21,326
Molson Foundation – Molson Fellowship in Healthy Aging	590,000	590,000
The Michael Novak and Kathleen Weil Endowment in Mental Health	100,840	
The Leo and Rachel Hendlisz Fund in Mental Health	10,000	
	<u>1,439,970</u>	<u>1,350,456</u>
Internal restrictions		
Estate of the late Honourable Hartlard de M. Molson	669,499	648,064
The Molson Foundation	655,699	634,299
The Hay Foundation	3,125	2,715
The Deirdre Stevenson Mental Health Fund	37,955	29,723
J. Armand Bombardier Fund for the Quality of Care in Mental Health	27,794	16,633
Terry McLean Memorial Fund in Mental Health		1,138
Molson Foundation – Molson Fellowship in Healthy Aging	40,367	21,115
The Michael Novak and Kathleen Weil Endowment in Mental Health	2,980	
The Leo and Rachel Hendlisz Fund in Mental Health	310	
Accumulated unrealized gain on available-for-sale investments	390,476	461,456
	<u>1,828,205</u>	<u>1,815,143</u>
	<u>3,268,175</u>	<u>3,165,599</u>

### 8 - 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 higher than the set objective of the Foundation. Accordingly, \$360,832 has been restricted this year for future years.

# Douglas Mental Health University Institute Foundation

## Notes to Financial Statements

March 31, 2012

### 9 - GIFTS-IN-KIND

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

	2012		2011	
	Revenues \$	Expenses and donations \$	Revenues \$	Expenses and donations \$
Open Minds benefit			2,992	2,992
Turn-key events	1,251	1,251	1,534	1,534
Major gifts program	3,296		13,760	13,760
Family campaign	3,398	1,398		
Other			1,960	
	7,945	2,649	20,246	18,286

Also, the Foundation recognizes gifts-in-kind for the amount of \$100,840 directly in the externally restricted Endowment Fund.

### 10 - RECEIPT OF DONATIONS

	2012 \$	2011 \$
Donations recognized in the statement of revenues and expenses	897,928	686,684
Donations received for the Endowment Fund	110,840	
Donations received and treated as deferred contributions	510,985	357,876
Donations from the deferred contributions recognized in the statement of revenues and expenses	(413,200)	(171,426)
Amortization of deferred contributions related to capital assets recognized in the statement of revenues and expenses	(2,110)	(2,110)
	1,104,443	871,024

### 11 - FINANCIAL INSTRUMENTS

#### Fair value

The fair value of investments is based on the listed market price shown on the broker's statement as at the date of the financial statements.

#### Financial risk management objectives and policies

The Foundation is exposed to various financial risks resulting from both its operating and its investing activities. The Foundation's management manages financial risks.

# Douglas Mental Health University Institute Foundation

## Notes to Financial Statements

March 31, 2012

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### **11 - FINANCIAL INSTRUMENTS (Continued)**

#### **Financial risks**

The Foundation's main financial risk exposure and its financial risk management policies are as follows.

#### *Liquidity risk*

Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents and to ensure that the Foundation has sufficient sources of revenues. The Foundation establishes budget and cash estimates to ensure it has the necessary funds to fulfil its obligations.

#### *Interest rate risk*

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.

The Foundation's other financial assets and liabilities do not compromise any interest rate risk since they do not bear interest.

#### *Other price risk*

Other price risk is the risk that the fair value or future cash flows of the financial assets will fluctuate because of changes in market prices. The Foundation is exposed to other price risk as a result of investments in listed shares and investments in bonds.

### **12 - RELATED PARTY TRANSACTIONS**

During the year, the Foundation paid \$410,161 (\$302,404 in 2011) 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.

### **13 - CAPITAL MANAGEMENT**

The administration's capital management objectives are as follows:

- Maintain its ability to continue as a going concern;
- To solicit donations with fundraising programs.

The Foundation manages contributions received from different contributors for the Douglas Mental Health Institute and Douglas Hospital Research Centre.

The Foundation defines its capital as the total of the fund balance of \$9,027,094 (\$9,990,665 in 2011).

# **Douglas Mental Health University Institute Foundation**

## **Notes to Financial Statements**

March 31, 2012

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### ***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.



## Douglas Mental Health University Institute Foundation Schedules

Year ended March 31, 2012

	2012		2011	
	Revenues	Expenses	Revenues	Expenses
	\$	\$	\$	\$
		Total		Total
<b>MAJOR GIFTS PROGRAM</b>				
Cash contributions	341,671	88,370	209,250	286,963
Gifts-in-kind	3,296	3,296	13,760	13,760
Amortization of deferred contributions related to capital assets	2,110	2,110	2,110	
	<u>347,077</u>	<u>93,776</u>	<u>225,120</u>	<u>300,723</u>
				<u>2,110</u>
				<u>(75,603)</u>

	2012		2011	
	Revenues	Expenses	Revenues	Expenses
	\$	\$	\$	\$
		Total		Total
<b>PLANNED GIVING PROGRAM</b>				
Bequests	206,393	206,393	56,600	56,600
Insurance policies	4,800	4,800	4,800	4,800
Other		765		
	<u>211,193</u>	<u>205,628</u>	<u>61,400</u>	<u>4,800</u>
				<u>56,600</u>

# Douglas Mental Health University Institute Foundation

## Schedules

Year ended March 31, 2012

	SCHEDULE D	
	2012	2011
	\$	\$
<b>STEWARDSHIP PROGRAM AND DONOR AND VOLUNTEER RECOGNITION</b>		
Stewardship and donor and volunteer relations	94	
Income tax receipts and acknowledgement	2,070	706
Annual Report on Giving	3,402	
Donor – recognition events	72	79
Other – recognition and acknowledgement	1,649	475
Volunteers – recruiting and orientation		344
Volunteers – recognition and acknowledgement	379	1,050
	<u>7,666</u>	<u>2,654</u>
	<u><u>7,666</u></u>	<u><u>2,654</u></u>
	SCHEDULE E	
	2012	2011
	\$	\$
<b>ADMINISTRATIVE EXPENSES</b>		
Salary and other expenses	445,726	371,644
Governance – Board of trustees meetings	871	1,898
Governance – Annual General Meeting	78	82
General communication and marketing	3,360	3,474
Website	4,367	3,966
Amortization of capital assets	2,951	2,627
	<u>457,353</u>	<u>383,691</u>
	<u><u>457,353</u></u>	<u><u>383,691</u></u>