

**Douglas Mental Health University
Institute Foundation**

**Financial Statements
March 31, 2016**

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Raymond Chabot
Grant Thornton

Independent Auditor's Report

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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, 2016 and the statements of operations, changes in net assets 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, 2016 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 1

Montreal
June 16, 2016

¹ CPA auditor, CA public accountancy permit no. A106684

**Douglas Mental Health University
Institute Foundation
Operations**

Year ended March 31, 2016

	2016	2015
	\$	\$
Revenues		
Donations (Note 12)		
Businesses	818,227	701,118
Not-for-profit organizations	1,136,565	1,017,759
Individuals	297,968	1,385,407
	<u>2,252,760</u>	<u>3,104,284</u>
Activities and events		
Douglas Employee Lottery	64,610	72,850
Events	294,568	240,835
Share of « <i>Bal des lumières</i> » event revenues (note 13)	694,132	
	<u>1,053,310</u>	<u>313,685</u>
Parking lot		
Parking activities	549,633	539,436
	<u>549,633</u>	<u>539,436</u>
Amortization of deferred contributions related to tangible capital assets	2,110	2,110
	<u>3,857,813</u>	<u>3,959,515</u>
Expenses		
Salaries and employee benefits	496,734	430,989
Subscription and membership fees	3,057	4,427
Training	292	440
Supplies and offices expenses	22,583	17,880
Bank charges	8,041	5,579
Management fees and rental parking	500,166	490,887
Activities and events fees	84,584	67,366
Share of « <i>Bal des lumières</i> » event expenses (note 13)	202,901	
Meetings	3,783	3,547
Professionals fees	70,314	73,906
Rental expenses	1,500	1,500
Advertising and website	17,143	18,284
Entertainment	674	1,154
Telecommunications	2,130	3,207
Amortization of property, plant and equipment	2,442	2,787
Loss on disposal of works of art	3,500	
	<u>1,419,844</u>	<u>1,121,953</u>
Excess of revenues over expenses before donations	<u>2,437,969</u>	<u>2,837,562</u>

**Douglas Mental Health University
Institute Foundation
Operations**

Year ended March 31, 2016

	<u>2016</u>	<u>2015</u>
	\$	\$
Net investment income		
Dividends	122,951	137,092
Interest	132,658	140,859
Transaction costs	(56,397)	(49,476)
Net change in fair value	<u>(345,050)</u>	<u>730,206</u>
	<u>(145,838)</u>	<u>958,681</u>
Donations (note 15)		
Douglas Mental Health University Institute		
Restricted donations	248,569	370,028
Other		5,000
Douglas Hospital Research Centre		
Restricted donations	1,531,650	1,377,196
Donations for operations	<u>1,000,000</u>	<u>1,000,000</u>
	<u>2,780,219</u>	<u>2,752,224</u>
Excess (deficiency) of revenues over expenses	<u>(488,088)</u>	<u>1,044,019</u>

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

**Douglas Mental Health University
Institute Foundation
Changes in Net Assets**

Year ended March 31, 2016

	2016					2015	
	Invested in capital assets, \$	Restricted to the investments impairment \$	Restricted for special projects in mental health purposes \$	Received for endowment purposes \$	Unrestricted \$	Total	Total \$
Balance, beginning of year	332	1,251,152	2,418,225	2,087,465	4,916,906	10,674,080	9,038,505
Excess (deficiency) of revenues over expenses	(332)				(487,756)	(488,088)	1,044,019
Internal restrictions (Note 10)		(72,218)	(235,352)		307,570		
Endowment contributions received from individuals				1,800		1,800	591,556
Balance, end of year		1,178,934	2,182,873	2,089,265	4,736,720	10,187,792	10,674,080

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

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

Year ended March 31, 2016

	2016	2015
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	(488,088)	1,044,019
Net change in fair value of investments	345,050	(730,206)
Amortization of tangible capital assets	2,442	2,787
Amortization of deferred contributions related to tangible capital assets	(2,110)	(2,110)
Loss on disposal of works of art	3,500	
Changes in working capital items and deferred contributions		
Interests and dividends receivable	(4,075)	7,193
Indirect taxes receivable	5,471	(21,197)
Contributions receivable	(478,877)	(1,100,000)
Other amounts receivable	147	35
Prepaid expenses	(591)	(3,669)
Trade payable and other operating liabilities	161,648	8,844
Deferred contributions	(217,144)	417,987
Cash flows from operating activities	<u>(672,627)</u>	<u>(376,317)</u>
INVESTING ACTIVITIES		
Amounts receivable from the broker	378	(378)
Net advance to Douglas Mental Health University Institute	(9,224)	1,659
Net advance to Douglas Hospital Research Centre	83,333	(83,333)
Investments	(3,968,833)	(11,157,378)
Receipt of investments	3,288,863	10,665,254
Amounts payable to broker		(7,558)
Cash flows from investing activities	<u>(605,483)</u>	<u>(581,734)</u>
FINANCING ACTIVITIES		
Due to Douglas Mental Health University Institute	118,022	
Due to Douglas Hospital Research Centre	1,984,962	48,550
Endowment contributions received	1,800	591,556
Cash flows from financing activities	<u>2,104,784</u>	<u>640,106</u>
Net increase (decrease) in cash	826,674	(317,945)
Cash, beginning of year	276,490	594,435
Cash, end of year	<u>1,103,164</u>	<u>276,490</u>

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

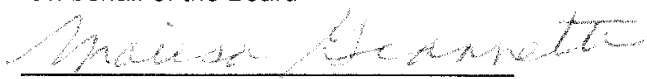
**Douglas Mental Health University
Institute Foundation
Financial Position**

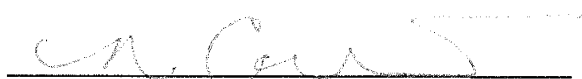
March 31, 2016

	2016	2015
	\$	\$
ASSETS		
Current		
Cash	1,103,164	276,490
Amounts receivable from the broker		378
Advance to Douglas Mental Health University Institute, without interest	51,526	42,302
Advance to Douglas Hospital Research Centre, without interest		83,333
Interests and dividends receivable	48,360	44,285
Indirect taxes receivable	15,726	21,197
Contributions receivable	1,578,877	1,100,000
Other amounts receivable	105	252
Prepaid expenses	5,046	4,455
	<u>2,802,804</u>	<u>1,572,692</u>
Long-term		
Investments (Note 3)	10,689,229	10,354,309
Works of art	16,650	20,150
Tangible capital assets (Note 4)	1,055	3,497
	<u>13,509,738</u>	<u>11,950,648</u>
LIABILITIES		
Current		
Trade payables and other operating liabilities (Note 5)	229,805	68,157
Due to Douglas Mental Health University Institute, without interest	118,022	
Due to Douglas Hospital Research Centre, without interest	2,034,912	49,950
	<u>2,382,739</u>	<u>118,107</u>
Long-term		
Deferred contributions (Note 6)	938,152	1,155,296
Deferred contributions related to tangible capital assets (Note 7)	1,055	3,165
	<u>3,321,946</u>	<u>1,276,568</u>
NET ASSETS		
Invested in capital assets		332
Received for endowments purpose (Note 8)	2,089,265	2,087,465
Restricted for special projects in mental health purposes (Note 9)	2,182,873	2,418,225
Restricted to investments impairment (Note 10)	1,178,934	1,251,152
Unrestricted	4,736,720	4,916,906
	<u>10,187,792</u>	<u>10,674,080</u>
	<u>13,509,738</u>	<u>11,950,648</u>

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

On behalf of the Board


Director


Director
N. CESARATTO

Douglas Mental Health University Institute Foundation Notes to Financial Statements

March 31, 2016

1 - GOVERNING STATUTES AND PURPOSE OF THE FOUNDATION

The Foundation was incorporated under Part III of the Companies Act (Quebec) for the purpose of collecting, investing and distributing financial resources for the Douglas mental health university institute and the Douglas Hospital 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 knowledge of current events and actions that the Foundation may undertake in the future. Actual results may differ from these estimates.

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.

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

March 31, 2016

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 listed 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.

Revenue recognition

Contributions

The Foundation follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue 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 net assets.

Moreover, 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.

Activities and events

Activities and events revenues are recognized as revenue in accordance with the agreement between the parties, when the activities and events take place, amount are fixed or determinable and collection is reasonably assured. The liability relating to the received but unearned of revenues from activities and events is recognized in the statement of financial position as deferred revenues.

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

March 31, 2016

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Parking lot

Parking lot revenues are recognized as revenue in accordance with the agreement between the parties, when the service have been provided, amount are fixed or determinable and collection is reasonably assured.

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.

Interest income is recognized on a time apportionment basis, dividend income is recognized as of the ex-dividend date and changes in fair value are recognized when they occur.

With respect to investments measured at fair value, the Foundation has elected to exclude from changes in fair value interest income and dividend income.

Net investment income that is not subject to externally imposed restrictions is recognized in the statement of operations under Net investment income.

Net investment income subject to externally imposed restrictions is recognized as deferred contributions.

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

March 31, 2016

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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%

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, 2016

3 - INVESTMENTS

	2016		2015	
	Cost	Quoted value	Cost	Quoted value
	\$	\$	\$	\$
<i>Investments measure at fair value</i>				
Fixed income securities				
Money market	798,405	799,566	548,757	549,849
Bonds				
Federal government	417,707	431,918	624,770	655,303
Provincial government	1,019,308	1,064,207	652,930	732,530
Municipal government	389,240	426,931	438,861	498,410
Corporate	1,892,423	1,904,816	1,565,586	1,635,948
Others	50,569	50,632	85,567	87,148
Canadian listed shares	2,042,196	2,594,905	1,910,357	2,503,135
American listed shares	2,041,673	2,119,304	2,174,173	2,406,884
International listed shares	1,268,479	1,296,950	1,205,896	1,285,102
	9,920,000	10,689,229	9,206,897	10,354,309

4 - TANGIBLE CAPITAL ASSETS

	2016		2015	
	Cost	Accumulated amortization	Net carrying amount	Net carrying amount
	\$	\$	\$	\$
Furniture	21,100	20,045	1,055	3,165
Multimedia equipment	2,029	2,029		332
	23,129	22,074	1,055	3,497

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

March 31, 2016

5 - TRADES PAYABLES AND OTHER OPERATING LIABILITIES

Government remittances total \$4,915 as at March 31, 2016 (\$- as at March 31, 2015).

6 - DEFERRED CONTRIBUTIONS

Deferred contributions 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:

	<u>2016</u>	<u>2015</u>
	\$	\$
Balance, beginning of year	1,155,296	737,309
Amount recognized in operations	(515,500)	(187,035)
Amount recognized as net investment income	(17,368)	(20,000)
Investment income - Estate of the late J. Borkowitz	(15,696)	71,877
Amount received relating to the following year	331,420	553,145
Balance, end of year	<u>938,152</u>	<u>1,155,296</u>

Deferred contributions consist of:

	<u>2016</u>	<u>2015</u>
	\$	\$
Investment income - Estate of the late J. Borkowitz for Douglas Mental Health University Institute	275,126	308,190
Planned giving and major gifts program	26,661	26,661
Douglas Mental Health University Institute	289,415	134,345
Douglas Hospital Research Centre	296,950	623,600
Campaign "Invest in Healthy Minds"	50,000	62,500
	<u>938,152</u>	<u>1,155,296</u>

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

March 31, 2016

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>2016</u>	<u>2015</u>
	\$	\$
Balance, beginning of year	3,165	5,275
Amortized amount in statement of operations	<u>(2,110)</u>	<u>(2,110)</u>
Balance, end of year	<u>1,055</u>	<u>3,165</u>

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

8 - NET ASSET RECEIVED FOR ENDOWMENT PURPOSES

At the year end, net asset received for endowment purposes consisted of:

	<u>2016</u>	<u>2015</u>
	\$	\$
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 Fund in Mental Health	100,840	100,840
The Leo and Rachel Hendlisz Fund in Mental Health	21,556	21,556
The Ginette Ingrid Gold Fund for the study in Mental Health	580,000	580,000
The Holly Carsley Fund in Mental Health	57,739	55,939
	<u>2,089,265</u>	<u>2,087,465</u>

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

March 31, 2016

9 - NET ASSET RESTRICTED FOR SPECIAL PROJECTS IN MENTAL HEALTH PURPOSES

At the year end, net asset restricted with internal restrictions for special projects in mental health purposes consisted of:

	<u>2016</u>	<u>2015</u>
	\$	\$
Estate of the late Honourable Hartland de M. Molson	777,974	787,147
The Molson Foundation	764,005	773,163
The Hay Foundation	5,203	5,379
The Deirdre Stevenson Mental Health Fund	79,620	83,142
J. Armand Bombardier Fund for the Quality of Care in Mental Health	84,276	89,052
Molson Foundation - Molson Fellowship in Healthy Aging	137,795	146,033
The Michael Novak and Kathleen Weil Fund in Mental Health	18,810	20,149
The Leo and Rachel Hendlisz Fund in Mental Health	2,271	2,527
The Ginette Ingrid Gold Fund for the education in Mental Health	2,246	8,483
The Holly Carsley Fund in Mental Health	3,237	3,853
Accumulated unrealized gain on available-for-sale investments	307,436	499,297
	<u>2,182,873</u>	<u>2,418,225</u>

10 - INTERNAL RESTRICTIONS

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, \$72,218 has been decreased this year for future years (in 2015 an amount of \$2,713 has been increased).

In 2016, the Foundation has affected the unrestricted net assets of \$235,352 (\$240,461 in 2015) for special projects in mental health.

The Foundation may use the encumbered amounts of internally restricted for other purposes without the prior consent of the Board.

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

March 31, 2016

11 - GIFTS-IN-KIND

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

	2016		2015	
	Revenues	Expenses and donations	Revenues	Expenses and donations
	\$	\$	\$	\$
Individuals	29,317	1,918	20,444	6,040

The Foundation has received gifts-in-kind, in the form of investments, amounting \$27,399 in 2016 (\$14,404 in 2015).

12 - RECEIPT FROM DONATIONS AND EVENTS

	2016	2015
	\$	\$
Donations recognized in the statement of operations	3,103,168	3,417,969
Donations recognized as an endowment contributions received directly in net asset	1,800	591,556
Donations received and treated as deferred contributions	331,420	553,145
Donations from the deferred contributions recognized in the statement of operations	(515,500)	(187,035)
Donations recognized in the receivable contributions	(478,877)	(1,100,000)
	2,442,011	3,275,635

13 - « BAL DES LUMIÈRES » EVENT

The Foundation and two non-profit organizations working in the field of mental health have entered into a collaboration agreement for the pooling of resources for the implementation of a fundraising event, the « Bal des Lumières ». Thus, the three organizations split equally, the share of the products and the share of the expenses arising from the realization of this event.

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

March 31, 2016

14 - 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 listed shares, American listed shares and International listed shares. The Foundation has determined that the financial assets with more credit risk exposure are amounts receivable from the broker, advance to Douglas Mental Health University Institute, advance to the Douglas Hospital Research Centre, interests and dividends receivable, contributions receivable, other amounts receivable and corporate bonds since failure of any of these parties to fulfil their obligations could result in significant financial losses for the Foundation.

Market risk

The Foundation's financial instruments expose it to market risk, in particular, interest rate risk and other price risk, resulting from its 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 listed shares, American listed shares and International listed 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, 2016

14 - 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 \$2,782,032 (\$1,547,040 as at March 31, 2015), whereas the carrying amount of financial assets measured at fair value totals \$10,689,229 (\$10,354,309 as at March 31, 2015).

15 - RELATED PARTY TRANSACTIONS

The Douglas Mental Health University Institute and the Douglas Hospital Research Centre has an economic interest in the Foundation by the mission of the Foundation by collecting, investing and distributing financial resources for their accounts.

During the year, the Foundation paid \$500,166 (\$490,887 in 2015) in parking fees to the Douglas Mental Health University Institute and paid \$248,569 (\$375,028 in 2015) in donations.

Also, during the year the Foundation paid \$2,531,650 (\$2,377,196 in 2015) in donations to the Douglas Hospital Research Centre.

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

16 - 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 \$52,000.

17 - COMPARATIVE FIGURES

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