

**Douglas Mental Health University
Institute Foundation**

**Financial Statements
March 31, 2017**

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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, 2017 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 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.

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, 2017 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 LLP¹

Montreal
June 13, 2017

¹ CPA auditor, CA public accountancy permit no. A111386

**Douglas Mental Health University
Institute Foundation
Operations**

Year ended March 31, 2017

	2017	2016
	\$	\$
Revenues		
Donations (Note 12)		
Businesses	714,941	818,227
Not-for-profit organizations	981,993	1,136,565
Individuals	556,368	297,968
	<u>2,253,302</u>	<u>2,252,760</u>
Activities and events		
Douglas Employee Lottery	60,125	64,610
Events	773,120	294,568
Share of « <i>Bal des lumières</i> » event revenues (Note 13)		694,132
	<u>833,245</u>	<u>1,053,310</u>
Parking lot		
Parking activities	538,309	549,633
Amortization of deferred contributions related to tangible capital assets	1,055	2,110
	<u>3,625,911</u>	<u>3,857,813</u>
Expenses		
Salaries and employee benefits	496,579	496,734
Subscription and membership fees	3,564	3,057
Training	711	292
Supplies and offices expenses	27,106	22,583
Bank charges	9,587	8,041
Management fees and rental parking	489,861	500,166
Activities and events fees	125,176	84,584
Share of « <i>Bal des lumières</i> » event expenses (Note 13)		202,901
Meetings	3,896	3,783
Professionnals fees	30,347	70,314
Rental expenses		1,500
Advertising and website	14,331	17,143
Entertainment	278	674
Telecommunications	1,144	2,130
Amortization of property, plant and equipment	1,055	2,442
Loss on disposal of works of art	15,853	3,500
	<u>1,219,488</u>	<u>1,419,844</u>
Excess of revenues over expenses before donations	<u>2,406,423</u>	<u>2,437,969</u>

**Douglas Mental Health University
Institute Foundation
Operations**

Year ended March 31, 2017

	<u>2017</u>	<u>2016</u>
	\$	\$
Net investment income		
Dividends	90,130	122,951
Interest	185,001	132,658
Transaction costs	(65,644)	(56,397)
Net change in fair value	446,474	(345,050)
	<u>655,961</u>	<u>(145,838)</u>
Donations (Note 15)		
Douglas Mental Health University Institute		
Restricted donations	152,553	248,569
Other	177,000	
Douglas Hospital Research Centre		
Restricted donations	1,525,120	1,531,650
Donations for operations	686,331	1,000,000
	<u>2,541,004</u>	<u>2,780,219</u>
Excess (deficiency) of revenues over expenses	<u>521,380</u>	<u>(488,088)</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, 2017

	2017				2016	
	Invested in capital assets \$	Restricted to the investments impairment \$	Restricted for special projects in mental health purposes \$	Received for endowment purposes \$	Unrestricted \$	Total \$
Balance, beginning of year		1,178,934	2,182,873	2,089,265	4,736,720	10,674,080
Excess (deficiency) of revenues over expenses					521,380	(488,088)
Internal restrictions (Note 10)		(115,634)	71,399		44,235	
Endowment contributions received from individuals						1,800
Balance, end of year		1,063,300	2,254,272	2,089,265	5,302,335	10,187,792

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

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

Year ended March 31, 2017

	2017	2016
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	521,380	(488,088)
Net change in fair value of investments	(446,474)	345,050
Amortization of tangible capital assets	1,055	2,442
Amortization of deferred contributions related to tangible capital assets	(1,055)	(2,110)
Loss on disposal of works of art	15,853	3,500
Changes in working capital items and deferred contributions		
Interests and dividends receivable	6,254	(4,075)
Indirect taxes receivable	2,039	5,471
Contributions receivable	1,530,071	(478,730)
Prepaid expenses	4,191	(591)
Trade payable and other operating liabilities	(150,418)	161,648
Deferred contributions	341,572	(217,144)
Cash flows from operating activities	<u>1,824,468</u>	<u>(672,627)</u>
INVESTING ACTIVITIES		
Amounts receivable from the broker	(370,704)	378
Works of art	797	
Net advance to Douglas Mental Health University Institute	(13,191)	(9,224)
Net advance to Douglas Hospital Research Centre		83,333
Investments	(8,630,771)	(3,968,833)
Receipt of investments	9,013,769	3,288,863
Amounts payable to broker		
Cash flows from investing activities	<u>(100)</u>	<u>(605,483)</u>
FINANCING ACTIVITIES		
Due to Douglas Mental Health University Institute	(82,091)	118,022
Due to Douglas Hospital Research Centre	(1,678,052)	1,984,962
Endowment contributions received		1,800
Cash flows from financing activities	<u>(1,760,143)</u>	<u>2,104,784</u>
Net increase in cash	64,225	826,674
Cash, beginning of year	<u>1,103,164</u>	<u>276,490</u>
Cash, end of year	<u>1,167,389</u>	<u>1,103,164</u>

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


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

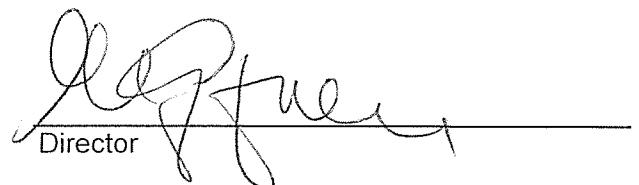
March 31, 2017

	2017	2016
	\$	\$
ASSETS		
Current		
Cash	1,167,389	1,103,164
Amounts receivable from the broker	370,704	
Advance to Douglas Mental Health University Institute, without interest	64,717	51,526
Interests and dividends receivable	42,106	48,360
Indirect taxes receivable	13,687	15,726
Contributions receivable	48,911	1,578,982
Prepaid expenses	855	5,046
	<u>1,708,369</u>	<u>2,802,804</u>
Long-term		
Investments (Note 3)	10,752,705	10,689,229
Works of art		16,650
Tangible capital assets (Note 4)		1,055
	<u>12,461,074</u>	<u>13,509,738</u>
LIABILITIES		
Current		
Trade payables and other operating liabilities (Note 5)	79,387	229,805
Due to Douglas Mental Health University Institute, without interest	35,931	118,022
Due to Douglas Hospital Research Centre, without interest	356,860	2,034,912
	<u>472,178</u>	<u>2,382,739</u>
Long-term		
Deferred contributions (Note 6)	1,279,724	938,152
Deferred contributions related to tangible capital assets (Note 7)		1,055
	<u>1,751,902</u>	<u>3,321,946</u>
NET ASSETS		
Received for endowments purpose (Note 8)	2,089,265	2,089,265
Restricted for special projects in mental health purposes (Note 9)	2,254,272	2,182,873
Restricted to investments impairment (Note 10)	1,063,300	1,178,934
Unrestricted	5,302,335	4,736,720
	<u>10,709,172</u>	<u>10,187,792</u>
	<u>12,461,074</u>	<u>13,509,738</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, 2017

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, 2017

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, 2017

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, 2017

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:

Furniture	Rate
	10%

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, 2017

3 - INVESTMENTS

	2017		2016	
	Cost	Quoted value	Cost	Quoted value
	\$	\$	\$	\$
<i>Investments measure at fair value</i>				
Fixed income securities				
Money market	748,205	749,627	798,405	799,566
Bonds				
Federal government	588,007	579,674	417,707	431,918
Provincial government	1,290,571	1,309,339	1,019,308	1,064,207
Municipal government	315,992	346,963	389,240	426,931
Corporate	1,728,314	1,751,945	1,892,423	1,904,816
Others	15,018	15,105	50,569	50,632
Canadian listed shares	1,701,205	2,329,371	2,042,196	2,594,905
American listed shares			2,041,673	2,119,304
International listed shares	3,527,723	3,670,681	1,268,479	1,296,950
	9,915,035	10,752,705	9,920,000	10,689,229

4 - TANGIBLE CAPITAL ASSETS

	2017		2016	
	Cost	Accumulated amortization	Net carrying amount	Net carrying amount
	\$	\$	\$	\$
Furniture				1,055
				1,055

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

March 31, 2017

5 - TRADES PAYABLES AND OTHER OPERATING LIABILITIES

	<u>2017</u>	<u>2016</u>
	\$	\$
Trades payables	35,509	187,437
Salaries and benefits payable	43,878	42,368
	<u>79,387</u>	<u>229,805</u>

Government remittances total \$0 as at March 31, 2017 (\$4,915 as at March 31, 2016).

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>2017</u>	<u>2016</u>
	\$	\$
Balance, beginning of year	938,152	1,155,296
Amount recognized in operations	(111,500)	(515,500)
Amount recognized as net investment income	(18,563)	(17,368)
Investment income - Estate of the late J. Borkowitz	29,734	(15,696)
Amount received relating to the following year	441,901	331,420
Balance, end of year	<u>1,279,724</u>	<u>938,152</u>

Deferred contributions consist of:

	<u>2017</u>	<u>2016</u>
	\$	\$
Investment income - Estate of the late J. Borkowitz for Douglas Mental Health University Institute	286,297	275,126
Planned giving and major gifts program	26,661	26,661
Douglas Mental Health University Institute	544,524	289,415
Douglas Hospital Research Centre	409,250	296,950
Campaign "Invest in Healthy Minds"	12,992	50,000
	<u>1,279,724</u>	<u>938,152</u>

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

March 31, 2017

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>2017</u>	<u>2016</u>
	\$	\$
Balance, beginning of year	1,055	3,165
Amortized amount in statement of operations	<u>(1,055)</u>	<u>(2,110)</u>
Balance, end of year		<u>1,055</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>2017</u>	<u>2016</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
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	57,739
	<u>2,089,265</u>	<u>2,089,265</u>

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

March 31, 2017

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>2017</u>	<u>2016</u>
	\$	\$
Estate of the late Honourable Hartland de M. Molson	786,460	777,974
The Molson Foundation	772,477	764,005
The Hay Foundation	5,366	5,203
The Deirdre Stevenson Mental Health Fund	82,879	79,620
J. Armand Bombardier Fund for the Quality of Care in Mental Health	88,694	84,276
Molson Foundation - Molson Fellowship in Healthy Aging	145,416	137,795
The Michael Novak and Kathleen Weil Fund in Mental Health	20,049	18,810
The Leo and Rachel Hendlisz Fund in Mental Health	2,508	2,271
The Ginette Ingrid Gold Fund for the education in Mental Health	3,824	2,246
The Holly Carsley Fund in Mental Health	8,223	3,237
Accumulated unrealized gain on available-for-sale investments	338,376	307,436
	<u>2,254,272</u>	<u>2,182,873</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, \$115,634 has been decreased this year for future years (in 2016 an amount of \$72,218 has been decreased).

In 2017, the Foundation has affected the unrestricted net assets of \$71,399 (\$235,352 in 2016) 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, 2017

11 - GIFTS-IN-KIND

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

	<u>2017</u>		<u>2016</u>	
	Revenues	Expenses and donations	Revenues	Expenses and donations
	\$	\$	\$	\$
Individuals	<u>246,155</u>	<u>186,530</u>	<u>29,317</u>	<u>1,918</u>

The Foundation has received gifts-in-kind, in the form of investments, amounting \$59,625 in 2017 (\$27,399 in 2016).

12 - RECEIPT FROM DONATIONS AND EVENTS

	<u>2017</u>	<u>2016</u>
	\$	\$
Donations recognized in the statement of operations	3,086,547	3,103,168
Donations recognized as an endowment contributions received directly in net asset		1,800
Donations received and treated as deferred contributions	441,901	331,420
Donations from the deferred contributions recognized in the statement of operations	(111,500)	(515,500)
Donations recognized in the receivable contributions	(48,073)	(478,877)
	<u>3,368,875</u>	<u>2,442,011</u>

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.

The fundraising event took place last year and is kept on biennial basis.

Douglas Mental Health University Institute Foundation Notes to Financial Statements

March 31, 2017

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, 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, 2017

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 \$1,645,379 (\$2,782,032 as at March 31, 2016), whereas the carrying amount of financial assets measured at fair value totals \$10,752,705 (\$10,689,229 as at March 31, 2016).

15 - RELATED PARTY TRANSACTIONS

The Douglas Mental Health University Institute and the Douglas Hospital Research Centre has a 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 \$489,861 (\$500,166 in 2016) in parking fees to the Douglas Mental Health University Institute and paid \$329,553 (\$248,569 in 2016) in donations.

Also, during the year the Foundation paid \$2,211,451 (\$2,531,650 in 2016) 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 letters of guarantee issued on behalf of the Régie des alcools, des courses et des jeux in the amount of \$55,400.