

**Douglas Mental Health
University Institute Foundation
Financial Statements**
March 31, 2019

Douglas Mental Health University Institute Foundation

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For the year ended March 31, 2019

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Independent Auditor's Report

To the Board of Trustees of Douglas Mental Health University Institute Foundation:

Opinion

We have audited the financial statements of Douglas Mental Health University Institute Foundation (the "Foundation"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, changes in net assets, cash flows and the related schedule for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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

Other Matter

The financial statements of the Foundation for the year ended March 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on June 12, 2018.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

COMPTABILITÉ > CONSULTATION > FISCALITÉ
ACCOUNTING > CONSULTING > TAX

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

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

Montréal, Québec

September 9, 2019

MNP SENCRL, S r l ¹

¹ CPA auditor, CA, public accountancy permit no. A129294


Douglas Mental Health University Institute Foundation


Statement of Financial Position

As at March 31, 2019

	2019	2018
Assets		
Current		
Cash	591,279	1,639,981
Receivables (Note 3)	285,903	246,030
Deposit	26,000	-
	903,182	1,886,011
Investments (Note 4)	12,113,020	11,679,106
	13,016,202	13,565,117
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 5)	210,011	79,997
Due to Douglas Mental Health University Institute, without interest, no repayment terms	99,423	145,917
Due to Douglas Hospital Research Centre, without interest, no repayment terms	203,519	805,439
	512,953	1,031,353
Deferred contributions (Note 6)	1,451,660	1,474,294
	1,964,613	2,505,647
Contingency (Note 15)		
Net Assets		
Received for endowment purposes (Note 7)	2,099,265	2,089,265
Restricted for special projects in mental health (Note 8)	2,188,665	2,215,320
Internally restricted to the investments impairment (Note 9)	832,794	948,589
Unrestricted	5,930,865	5,806,296
	11,051,589	11,059,470
	13,016,202	13,565,117

Approved on behalf of the Board of Trustees


Director


Director

The accompanying notes are an integral part of these financial statements

Douglas Mental Health University Institute Foundation
Statement of Operations
For the year ended March 31, 2019

	2019	2018
Revenues <i>(Schedule 1)</i>	2,756,744	3,595,206
Expenses		
Management fees and rental parking	458,029	470,354
Salaries and benefits	370,856	521,531
Activities and events fees	103,603	110,426
Professional fees	66,809	30,724
Supplies and office expenses	21,792	21,874
Advertising and website	12,974	14,291
Bank charges	11,720	10,477
Other	8,143	9,623
	1,053,926	1,189,300
Excess of revenues over expenses before the undernoted item	1,702,818	2,405,906
Net investment income <i>(Note 10)</i>	280,471	409,807
Donations <i>(Note 11)</i>	(2,001,170)	(2,465,415)
Excess (deficiency) of revenues over expenses	(17,881)	350,298

The accompanying notes are an integral part of these financial statements

Douglas Mental Health University Institute Foundation
Statement of Changes in Net Assets

For the year ended March 31, 2019

	<i>Received for endowment purposes</i>	<i>Restricted for special projects in mental health</i>	<i>Internally restricted to the investments impairment</i>	<i>Unrestricted</i>	<i>2019</i>	<i>2018</i>
Net assets beginning of year	2,089,265	2,215,320	948,589	5,806,296	11,059,470	10,709,172
Excess (deficiency) of revenues over expenses	-	-	-	(17,881)	(17,881)	350,298
Endowment contribution	10,000	-	-	-	10,000	-
Internal restrictions (Note 9)	-	(26,655)	(115,795)	142,450	-	-
Net assets, end of year	2,099,265	2,188,665	832,794	5,930,865	11,051,589	11,059,470

The accompanying notes are an integral part of these financial statements

Douglas Mental Health University Institute Foundation
Statement of Cash Flows
For the year ended March 31, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating		
Excess (deficiency) of revenues over expenses	(17,881)	350,298
Net change in fair value of investments	(118,673)	(115,968)
Endowment contribution	10,000	-
Donations in shares	(33,212)	(18,272)
Amortization of deferred contributions	(414,236)	(373,112)
	(574,002)	(157,054)
Changes in working capital accounts		
Receivables	(39,873)	(100,703)
Deposit	(26,000)	-
Prepaid expenses	-	855
Accounts payable and accrued liabilities	130,014	610
	(509,861)	(256,292)
Financing		
Due to Douglas Mental Health University Institute	(46,494)	109,986
Due to Douglas Hospital Research Centre	(601,920)	448,579
Restricted contributions received	377,803	547,866
	(270,611)	1,106,431
Investing		
Purchase of investments	(1,882,562)	(17,455,230)
Proceeds on disposal of investments	1,614,332	16,682,885
Amounts receivable from the broker	-	370,704
Net advance to Douglas Mental Health University Institute	-	24,094
	(268,230)	(377,547)
Increase (decrease) in cash resources	(1,048,702)	472,592
Cash resources, beginning of year	1,639,981	1,167,389
Cash resources, end of year	591,279	1,639,981

The accompanying notes are an integral part of these financial statements

Douglas Mental Health University Institute Foundation

Notes to the Financial Statements

For the year ended March 31, 2019

1. Incorporation and nature of the organization

Douglas Mental Health University Institute Foundation (the "Foundation") was incorporated under Part III of the Companies Act (Quebec) for the purpose of collecting, investing and distributing financial resources of the Douglas mental health university institute and the Douglas Hospital Research Centre, or any other affiliated institution in the province of Quebec which carries out its medical or related activities.

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

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Receivables are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

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.

Pledges and Bequests are recognized as revenue when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

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.

Parking lot

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

Net investment income

Unrestricted investment income is recognized as revenue when earned. Realized and unrealized gains and losses on investments are reported in the statement of operations.

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

Douglas Mental Health University Institute Foundation
Notes to the Financial Statements
For the year ended March 31, 2019

2. **Significant accounting policies** *(Continued from previous page)*

Contributed materials and services

Contributions of materials and services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Foundation's operations and would otherwise have been purchased.

Financial instruments

The Foundation recognizes its financial instruments when the Foundation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, except for related party transactions which are initially measured at their carrying or exchange amount in accordance with CPA Canada Handbook Section 3840 Related party transactions (refer to Note 17).

At initial recognition, the Foundation may irrevocably elect to subsequently measure any financial instrument at fair value. The Foundation subsequently measures investments quoted in an active market at fair value. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees are expensed.

Financial asset impairment:

The Foundation assesses impairment of all of its financial assets measured at cost or amortized cost. Management considers the issuer is having significant financial difficulty in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Foundation determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Foundation reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess (deficiency) of revenues over expenses.

The Foundation reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess (deficiency) of revenue over expenses in the year the reversal occurs.

3. **Receivables**

	2019	2018
Contributions receivable	213,392	193,421
Sales taxes receivable	20,746	11,986
Receivable from Douglas Mental Health University Institute	51,765	40,623
	285,903	246,030

Receivable from Douglas Mental Health University Institute is subject to normal trade terms.

4. **Investments**

	2019 Fair Value	2019 Cost
Measured at fair value		
Money market funds	120,963	120,963
Bond funds	3,844,676	3,837,769
Canadian equity funds	5,870,952	5,769,479
Foreign equity funds	2,276,429	2,441,571
	12,113,020	12,169,782

Douglas Mental Health University Institute Foundation
Notes to the Financial Statements
For the year ended March 31, 2019

4. Investments (Continued from previous page)

	2018 Fair Value	2018 Cost
Measured at fair value		
Money market funds	39,676	39,676
Bond funds	3,656,344	3,735,559
Canadian equity funds	6,212,198	6,261,091
Foreign equity funds	1,770,888	1,825,830
	11,679,106	11,862,156

5. Accounts payable and accruals

	2019	2018
Trade payables	171,495	30,902
Salaries and benefits payable	38,516	49,095
	210,011	79,997

6. Deferred contributions

Deferred contributions consist of unspent contributions externally restricted for special projects. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made. Changes in the deferred contribution balance are as follows:

	2019	2018
Balance, beginning of year	1,474,294	1,279,724
Amount recognized in operations	(395,890)	(351,927)
Amount recognized as net investment income	(18,346)	(21,185)
Investment income - Estate of late J. Borkowitz	13,799	19,816
Amount received relating to the following year	377,803	547,866
	1,451,660	1,474,294

7. Net assets received for endowment purposes

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

	2019	2018
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 et Kathleen Weil Fund in Mental Health	100,840	100,840
The Leo et 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	67,739	57,739
	2,099,265	2,089,265

Douglas Mental Health University Institute Foundation
Notes to the Financial Statements
For the year ended March 31, 2019

8. Net assets restricted for special projects in mental health

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

	<i>2019</i>	<i>2018</i>
Estate of the Honourable Hartland de M. Molson	847,888	864,297
The Molson Foundation	833,810	850,193
The Hay Foundation	6,543	6,857
The Deirdre Stevenson Mental Health Fund	106,473	112,775
J. Armand Bombardier Fund for the Quality of Care in Mental Health	120,679	129,223
Molson Foundation - Molson Fellowship in Healthy Aging	200,589	215,327
The Michael Novak et Kathleen Weil Fund in Mental Health	29,014	31,408
The Leo et Rachel Hendlisz Fund in Mental Health	4,225	4,683
The Ginette Ingrid Gold Fund for the study in Mental Health	8,053	9,180
The Holly Carsley Fund in Mental Health	51,485	63,040
The accumulated unrealized losses on investments measure at fair value	(20,094)	(71,663)
	2,188,665	2,215,320

9. Internal restrictions

The Foundation's Board of Directors approved internal restrictions to offset a potential decline in the revenue from investments in accordance with the Board's distribution objective of establishing a stable minimum investment revenue. The amount to be distributed each year is calculated as 3.5% based on the average return over a three year cycle. Accordingly, \$115,795 was added to internally restricted fund to be used as a reserve for this purpose (as compared to \$114,711 in 2018).

In 2019, the Foundation has affected the unrestricted net assets of \$26,555 (\$38,952 in 2018) for special projects in mental health.

The Foundation may not use the encumbered amounts of internally restricted for other purposes without the prior consent of the Board.

10. Net investment income

	<i>2019</i>	<i>2018</i>
Dividends	102,857	153,912
Interests	163,738	192,194
Transaction costs	(104,797)	(52,267)
Net change in fair value of investments	118,673	115,968
	280,471	409,807

Douglas Mental Health University Institute Foundation
Notes to the Financial Statements
For the year ended March 31, 2019

11. Donations

	<i>2019</i>	<i>2018</i>
Douglas Mental Health University Institute		
Restricted donations	231,582	288,935
Other	7,489	12,961
	239,071	301,896
Douglas Hospital Research Centre		
Restricted donations	762,099	1,163,519
Donation for operations	1,000,000	1,000,000
	1,762,099	2,163,519
	2,001,170	2,465,415

12. Bequests

At March 31, 2019, the Foundation is the beneficiary of a donor's will and has a bequest receivable. This bequest is not included in the financial statements because the actual amount of the bequest cannot be reasonably estimated.

13. Income taxes

The Foundation is registered as a charitable organization under the *Income Tax Act* (the "Act") and as such is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Foundation must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

14. Gifts-in-kind

Gifts-in-kind included in donations revenue is as follows

	<i>2019</i>	<i>2018</i>
Gifts-in-kind	17,439	19,360
Donations in shares	33,212	18,272
	50,651	37,632

15. 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
Notes to the Financial Statements
For the year ended March 31, 2019

16. Financial instruments

The Foundation, as part of its operations, carries a number of financial instruments. It is management's opinion that the Foundation is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Market risk

Market risk is the risk that the fair value of an investment will fluctuate as a result of changes in market price. Market risk is comprised of interest rate risk, foreign currency risk and other price risk. The Foundation employs diversification of assets to manage this risk. The Foundation's exposure to fair value fluctuations is concentrated in the investment in actively managed funds.

The Foundation invests in the units of actively managed funds, which in turn invest in a diversified portfolio of assets. While the underlying investments of the Foundation are susceptible to both currency and interest rate risk, the risk to the Foundation is indirect in nature and is not directly managed by the Foundation. Given that the Foundation is not directly holding any investments denominated in a foreign currency or any interest sensitive securities, the Foundation has no direct exposure to currency or interest risk.

Interest rate risk

Interest rate risk is the risk that the fair value of the Foundation's interest-bearing investments will fluctuate due to changes in the prevailing levels of market interest rates. Interest rate risk arises when the Foundation invests in interest-bearing financial instruments. The Foundation invests in units of funds which in turn invest in diversified portfolios of bonds. While the underlying investments of the Foundation are susceptible to interest rate risk, the risk to the Foundation is indirect in nature and is not directly managed by the Foundation.

Other assets and liabilities are short-term in nature and are non-interest bearing.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market.

The Foundation manages price risk by allocating assets according to different criterion: the number and type of investment, geographical location, sector, size of issuers, etc.

The Foundation invests in the units of actively managed funds which have exposure to risk related to price changes. Should prices of the securities appreciate or depreciate by 10% by March 31, 2019, the impact on the securities' value to the Foundation, with all other variables remaining constant, would have totaled approximately \$814,738 (2018 - \$798,309). Actual results could differ and the difference could be significant.

17. 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 collection, investing and distributing financial resources for their accounts.

During the year, the Foundation paid \$458,029 (\$470,354 in 2018) in parking fees to the Douglas Mental Health University Institute and paid \$239,071 (\$301,896 in 2018) in donations.

In addition, during the year, the Foundation paid \$1,762,099 (\$2,163,519 in 2018) 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.

Douglas Mental Health University Institute Foundation
Notes to the Financial Statements
For the year ended March 31, 2019

18. Comparative figures

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

Douglas Mental Health University Institute Foundation
Schedule 1 - Schedule of Revenues
For the year ended March 31, 2019

	<i>2019</i>	<i>2018</i>
Revenues		
Donations		
Individuals	625,560	756,552
Businesses	391,346	816,019
Not-for-profit organizations	378,566	669,019
Fundraising		
Douglas Employee Lottery	61,691	61,035
Events	796,253	775,709
Parking lot		
Parking activities	503,328	516,872
	2,756,744	3,595,206
