

**Douglas Mental Health
University Institute Foundation
Financial Statements**
March 31, 2021

Douglas Mental Health University Institute Foundation

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For the year ended March 31, 2021

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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, 2021, and the statements of operations, changes in net assets and cash flows 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, 2021, 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.

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:

- 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

June 15th, 2021



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

Douglas Mental Health University Institute Foundation

Statement of Financial Position

As at March 31, 2021

	2021	2020
Assets		
Current		
Cash	359,354	669,354
Receivables (Note 3)	61,117	237,612
Deposit	-	26,033
	420,471	932,999
Investments (Note 4)	14,032,791	11,659,621
	14,453,262	12,592,620
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 5) (Note 13)	322,838	371,437
Due to Douglas Mental Health University Institute, without interest, no repayment terms	98,290	98,290
Due to Douglas Hospital Research Centre, without interest, no repayment terms	9,117	77,468
	430,245	547,195
Deferred contributions (Note 6)	1,203,641	1,353,457
	1,633,886	1,900,652
Net Assets		
Received for endowment purposes	4,471,170	1,529,265
Restricted for special projects in mental health	1,083,904	2,457,986
Internally restricted to the investments impairment (Note 7)	885,343	812,252
Unrestricted	6,378,959	5,892,465
	12,819,376	10,691,968
	14,453,262	12,592,620

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, 2021

	2021	2020
Revenues <i>(Schedule 1)</i>	2,241,487	3,272,963
Expenses		
Salaries and benefits	629,354	491,048
Management fees and rental parking <i>(Note 13)</i>	230,978	366,702
Advertising and website	189,713	200,049
Activities and events fees	113,369	120,072
Supplies and office expenses	22,346	72,177
Professional fees	76,020	52,763
Other	76,386	29,746
	1,338,166	1,332,557
Excess of revenues over expenses before the undernoted item	903,321	1,940,406
Net investment (loss) income <i>(Note 8)</i>	2,711,770	(434,937)
Distributions from donations <i>(Note 9)</i>	(1,597,802)	(1,875,090)
Excess (deficiency) of revenues over expenses	2,017,289	(369,621)

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, 2021

	<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>	2021	2020
Net assets beginning of year	1,529,265	2,457,986	812,252	5,892,465	10,691,968	11,051,589
Excess (Deficiency) of revenues over expenses	864,920	210,811	-	941,555	2,017,289	(369,621)
Endowment contribution	24,092	-	-	-	24,092	10,000
Interfund transfers and other adjustments	2,189,578	(1,551,578)	-	(450,000)	188,000	-
Internal restrictions (Note 7)	-	-	73,091	(73,091)	-	-
Distribution (Note 7)	(136,685)	(33,315)	-	68,030	(101,973)	-
Net assets, end of year	4,471,170	1,083,904	885,343	6,378,959	12,819,376	10,691,968

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, 2021

	2021	2020
Cash provided by (used for) the following activities		
Operating		
Excess (deficiency) of revenues over expenses	2,017,289	(369,621)
Net change in fair value	(2,336,541)	897,400
Endowment contribution	24,092	10,000
Donations in shares	(45,230)	(166,981)
Amortization of deferred contributions	(392,468)	(265,543)
Investment income allocated to deferred contribution	50,000	-
	(682,858)	105,255
Changes in working capital accounts		
Receivables	176,495	48,291
Deposits	26,033	(33)
Accounts payable and accrued liabilities	(132,505)	161,426
Deferred contributions	119,934	-
	(492,901)	314,939
Financing		
Due to Douglas Mental Health University Institute	-	(1,133)
Due to Douglas Hospital Research Centre	(68,352)	(126,051)
Restricted contributions received	242,652	189,914
	174,300	62,730
Investing		
Purchase of investments	(1,046,677)	(3,207,791)
Proceeds on disposal of investments	1,055,278	2,908,197
	8,601	(299,594)
Decrease in cash resources	(310,000)	78,075
Cash resources, beginning of year	669,354	591,279
Cash resources, end of year	359,354	669,354

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, 2021

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 and donations

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

Fundraising, activities and events

Fundraising, 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 fair value of 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, 2021

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.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

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 13).

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 to the current statement of operations.

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 statement of operations in the year the reversal occurs.

3. Receivables

	2021	2020
Contributions receivable	-	166,955
Sales taxes receivable	38,273	34,390
Receivable from Douglas Mental Health University Institute	22,844	36,267
	61,117	237,612

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

Douglas Mental Health University Institute Foundation

Notes to the Financial Statements

For the year ended March 31, 2021

4. Investments

	2021 Fair Value	2021 Cost
Measured at fair value		
Money market funds	78,895	78,895
Fixed Income funds	4,447,468	4,534,896
Canadian equity funds	5,892,221	4,971,183
Canadian hedge fund	1,429,681	1,260,621
Foreign equity funds	2,184,526	1,914,047
	14,032,791	12,759,642
	2020 Fair Value	2020 Cost
Measured at fair value		
Money market funds	78,409	78,409
Fixed Income funds	4,097,613	4,167,369
Canadian equity funds	4,750,212	5,247,578
Canadian hedge fund	1,022,117	966,216
Foreign equity funds	1,711,270	2,163,028
	11,659,621	12,622,600

5. Accounts payable and accrued liabilities

	2021	2020
Accounts payable	252,175	346,168
Salaries and benefits payable	70,663	25,269
	322,838	371,437

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:

	2021	2020
Balance, beginning of year	1,353,457	1,451,660
Amount recognized in revenues	(392,467)	(246,066)
Amount recognized as net investment income	-	(19,477)
Investment loss	-	(22,574)
Amount received relating to the following year	242,651	189,914
	1,203,641	1,353,457

Douglas Mental Health University Institute Foundation

Notes to the Financial Statements

For the year ended March 31, 2021

7. Internal restrictions and distributions

The Foundation's Board of Directors approved internal restrictions to offset a potential decline in the revenue from investments.

Accordingly, \$73,091 was transferred from the unrestricted net assets to the investments impairment to the net assets internally restricted (as compared to \$20,542 was transferred from the net assets internally restricted to the investments impairment to the unrestricted net assets in 2020). The amount to be allocated each year is calculated as the three-year rolling average of the market value of the endowment portfolio at December 31st, times the average return, minus the Consumer Price Index at December 31st, minus the 3.5% income distribution.

The Foundation's Board of Directors approved internal restrictions in accordance with the Board's distribution objective. The amount to be distributed each year is calculated as 3.5% of the average market value over the last eight quarters. The Foundation may not use the encumbered amounts of internally restricted for other purposes without the prior consent of the Board.

8. Net investment (loss) income

	2021	2020
Dividends	175,409	264,426
Interest income	286,744	225,753
Transaction costs	(86,926)	(69,162)
Net change in fair value of investments	2,336,543	(855,954)
	2,711,770	(434,937)

9. Distributions from donations

	2021	2020
Douglas Mental Health University Institute		
Restricted donations	148,771	160,957
Douglas Hospital Research Centre		
Restricted donations	284,804	550,072
Donation for operations	1,000,000	1,000,000
	1,284,804	1,550,072
McGill University		
Restricted donations	164,227	164,061
	1,597,802	1,875,090

10. 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.

Douglas Mental Health University Institute Foundation

Notes to the Financial Statements

For the year ended March 31, 2021

11. Gifts-in-kind

Gifts-in-kind and Donations in shares included in contributions and donations revenue are as follows

	2021	2020
Gifts-in-kind	5,127	11,345
Donations in shares	45,230	166,981
	50,357	178,326

12. 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.

Credit risk

The Foundation is exposed to credit risk related to its investment in fixed income funds to the extent that the issuers may be unable to pay their obligations when due. Concentration of credit risk exists when a significant portion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political or other conditions. Management believes that the diversification strategy is adequate to protect the net assets of the Foundation from significant credit risks.

Currency risk

The Foundation is exposed to foreign currency risk on a portion of its investments. The foreign equity funds and some of the Canadian equity funds are subject to exposure to foreign currency risk on the underlying investments held. The Foundation manages this risk through funds managers who monitor the level of investments in foreign currency.

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%, the impact on the securities' value to the Foundation, with all other variables remaining constant, would have totaled approximately \$807,663 (2020 - \$646,148). Actual results could differ and the difference could be significant.

Douglas Mental Health University Institute Foundation

Notes to the Financial Statements

For the year ended March 31, 2021

13. 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 \$230,978 (\$366,702 in 2020) in parking fees to the Douglas Mental Health University Institute and paid \$90,244 (\$160,957 in 2020) in distributions from donations received.

In addition, during the year, the Foundation paid \$1,284,804 (\$1,550,072 in 2020) in distributions from donations received to the Douglas Hospital Reasearch center.

The Foundation has \$83,906 payable to the Research center for the income distribution on the Molson endowment. These transactions were concluded in the normal course of operations and measured at the exchange amount established and accepted by the parties.

14. 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, 2021

	2021	2020
Revenues		
Contributions and donations		
Individuals	989,849	789,952
Businesses	165,200	238,129
Not-for-profit organizations	218,370	560,641
Fundraising, activities and events		
Douglas employee lottery	-	21,036
Events	614,245	1,260,236
Parking lot		
Parking activities	253,823	402,969
<hr/>		
	2,241,487	3,272,963
