

**Douglas Mental Health
University Institute Foundation
Financial Statements**
March 31, 2023

Douglas Mental Health University Institute Foundation

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For the year ended March 31, 2023

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Management's Responsibility

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

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Foundation. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Foundation's external auditors.

MNP S.E.N.C.R.L., s.r.l is appointed by the Board of Directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

July 18, 2023

President and CEO

Director

Independent Auditor's Report

To the 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, 2023, 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, 2023, 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

July 18, 2023

MNP¹ SENCRL, S.F.

¹ CPA auditor, public accountancy permit no. A129185

Douglas Mental Health University Institute Foundation

Statement of Financial Position

As at March 31, 2023

	2023	2022
Assets		
Current		
Cash (Note 4)	990,722	2,249,043
Receivables (Note 5)	530,442	92,478
Prepaid expenses	100,733	-
	1,621,897	2,341,521
Investments (Note 6)	11,767,610	12,635,585
	13,389,507	14,977,106
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 7)	324,985	311,568
Due to Douglas Mental Health University Institute, without interest, no repayment terms	12,115	408,062
Due to Douglas Hospital Research Centre, without interest, no repayment terms	617,507	859,590
	954,607	1,579,220
Deferred contributions (Note 8)	948,417	1,319,794
	1,903,024	2,899,014
Net assets		
Endowments	4,265,373	4,364,446
Restricted for special projects in mental health	803,239	833,763
Internally restricted to the investment impairment (Note 9)	914,121	1,123,857
Unrestricted	5,503,750	5,756,026
	11,486,483	12,078,092
	13,389,507	14,977,106

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, 2023

	2023	2022
Revenues	5,079,109	4,503,207
Expenses		
Salaries and benefits	1,032,723	726,825
Advertising and website	653,667	362,904
Fundraising and events	589,345	251,213
Management fees and rental parking	280,253	234,760
Professional fees	169,665	151,745
Supplies and office expenses	36,677	79,693
Other	89,011	68,019
	2,851,341	1,875,159
Excess of revenues over expenses before the undernoted items	2,227,768	2,628,048
Net investment loss (Note 10)	(18,294)	(192,023)
Distributions from donations (Note 11), (Note 15)	(2,737,984)	(2,970,946)
Deficiency of revenues over expenses	(528,510)	(534,921)

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, 2023

	<i>Endowments</i>	<i>Restricted for special projects in mental health</i>	<i>Internally restricted to the investment impairment</i>	<i>Unrestricted</i>	2023	<i>2022</i>
Net assets beginning of year	4,364,446	833,763	1,123,857	5,756,026	12,078,092	12,819,376
Deficiency of revenues over expenses	(2,775)	(530)	-	(525,205)	(528,510)	(534,921)
Endowment contribution	60,708	-	-	-	60,708	100,113
Interfund transfers and other adjustments	-	-	-	-	-	(200,000)
Internal restrictions (Note 9)	-	-	(209,736)	209,736	-	-
Distribution (Note 9)	(157,006)	(29,994)	-	63,193	(123,807)	(106,476)
Net assets, end of year	4,265,373	803,239	914,121	5,503,750	11,486,483	12,078,092

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, 2023

	2023	2022
Cash provided by (used for) the following activities		
Operating		
Deficiency of revenues over expenses	(528,510)	(534,921)
Net change in fair value	252,277	931,966
Endowment contribution	60,708	100,113
Donations in shares	(92,159)	(100,083)
Amortization of deferred contributions	(924,373)	(825,836)
Gain (loss) on sale of investments	4,074	(257,215)
Endowment distribution	(123,807)	(106,476)
Transfer (from) to endowment fund	-	(200,000)
	(1,351,790)	(992,452)
Changes in working capital accounts		
Receivables	(437,964)	(31,361)
Prepaid expenses	(100,733)	-
Accounts payable and accrued liabilities	13,417	(11,270)
	(1,877,070)	(1,035,083)
Financing activities		
Due to Douglas Mental Health University Institute	(395,947)	309,772
Due to Douglas Hospital Research Centre	(242,083)	850,473
Deferred contributions received	552,996	941,989
	(85,034)	2,102,234
Investing activities		
Purchase of investments	(348,282)	(776,928)
Proceeds on disposal of investments	1,052,065	1,520,571
	703,783	743,643
Increase (decrease) in cash resources	(1,258,321)	1,810,794
Cash resources, beginning of year	2,249,043	438,249
Cash resources, end of year	990,722	2,249,043

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, 2023

1. Incorporation and nature of the organization

Douglas Mental Health University Institute Foundation (the “Foundation”) was incorporated under Part III of the *Companies Act (Québec)* 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. Change in accounting policy

Financial instruments

Financial instruments in a related party transaction, risk disclosures and other amendments

Effective April 1, 2022 (hereafter referred to as the “initial date of application”), the Foundation adopted the Accounting Standards Board's revised recommendations for the measurement and disclosure of financial instruments in a related party transaction, as well as revisions to risk disclosures, in Section 3856 Financial Instruments. The revised standard provides additional guidance and requirements for the measurement of financial instruments originated/acquired or issued/assumed in a related party transaction (“related party financial instruments”).

Other than amounts receivable or due to the Foundation, the Foundation has no related party financial instruments.

The retrospective application of this change in accounting policy did not have any impact on the results of operations and financial condition of the Foundation.

3. 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 shares. 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.

Douglas Mental Health University Institute Foundation

Notes to the Financial Statements

For the year ended March 31, 2023

3. Significant accounting policies (Continued from previous page)

Revenue recognition (Continued from previous page)

Fundraising and events

Fundraising and events revenues are recognized as revenue in accordance with the agreement between the parties, when the activities and events take place, amount is 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 is 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.

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 financial instruments when the Foundation becomes party to the contractual provisions of the financial instrument.

Arm's length financial instruments

Financial instruments originated/acquired or issued/assumed in an arm's length transaction ("arm's length financial instruments") are initially recorded at their fair value.

At initial recognition, the Foundation may irrevocably elect to subsequently measure any arm's length financial instrument at fair value. The Foundation has made such an election during the year. The investments have been designated to be subsequently measured at their fair value. Fair value is determined by published price quotations.

The Foundation subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost less impairment. With the exception of financial liabilities indexed to a measure of the Foundation's performance or value of its equity and those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in deficiency of revenues over expenses. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Douglas Mental Health University Institute Foundation

Notes to the Financial Statements

For the year ended March 31, 2023

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

Related party financial instruments

All related party financial instruments are measured at cost on initial recognition. When the financial instrument has repayment terms, cost is determined using the undiscounted cash flows, excluding interest, dividend, variable and contingent payments, less any impairment losses previously recognized by the transferor. When the financial instrument does not have repayment terms, but the consideration transferred has repayment terms, cost is determined based on the repayment terms of the consideration transferred. When the financial instrument and the consideration transferred both do not have repayment terms, the cost is equal to the carrying or exchange amount of the consideration transferred or received (refer to Note 15).

All of the Foundation's related party financial instruments are subsequently measured at amortized cost less any reduction for impairment.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of related party financial instruments are immediately recognized in statement of operations.

Financial asset impairment

The Foundation assesses impairment of all its financial assets measured at cost or amortized cost. Management considers whether 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.

With the exception of related party debt instruments and related party equity instruments initially measured at cost, 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 at the statement of financial position date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

For related party debt instruments initially measured at cost, the Foundation reduces the carrying amount of the asset (or group of assets), to the highest of: the undiscounted cash flows expected to be generated by holding the asset, or group of similar assets, excluding the interest and dividend payments of the instrument; the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the statement of financial position date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

For related party equity instruments initially measured at cost, the Foundation reduces the carrying amount of the asset (or group of assets), to the amount that could be realized by selling the asset(s) at the statement of financial position date.

Any impairment, which is not considered temporary, is included in current year 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 deficiency of revenues over expenses in the year the reversal occurs.

4. Cash

Included in the cash balance of \$990,722 is \$7,150 of restricted cash.

Douglas Mental Health University Institute Foundation

Notes to the Financial Statements

For the year ended March 31, 2023

5. Receivables

	2023	2022
Contributions receivable	340,332	-
Sales taxes receivable	162,393	69,260
Receivable from Douglas Mental Health University Institute	27,717	23,218
	530,442	92,478

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

6. Investments

	2023 <i>Fair Value</i>	2023 <i>Cost</i>
Measured at fair value		
Fixed Income funds	3,930,377	4,415,961
Canadian equity funds	4,630,313	4,046,579
Canadian hedge fund	1,483,055	1,260,621
Foreign equity funds	1,723,865	1,955,550
	11,767,610	11,678,711
	<i>2022 Fair Value</i>	<i>2022 Cost</i>
Measured at fair value		
Fixed Income funds	4,278,432	4,703,175
Canadian equity funds	5,102,295	4,382,281
Canadian hedge fund	1,445,562	1,260,621
Foreign equity funds	1,809,296	1,948,327
	12,635,585	12,294,404

7. Accounts payable and accrued liabilities

	2023	2022
Accounts payable	203,078	212,738
Salaries and benefits payable	121,907	98,830
	324,985	311,568

Douglas Mental Health University Institute Foundation

Notes to the Financial Statements

For the year ended March 31, 2023

8. 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:

	2023	2022
Balance, beginning of year	1,319,794	1,203,641
Amounts redistributed and recognized in revenues	(924,373)	(825,836)
Amounts received relating to future years	552,996	941,989
Balance, end of year	948,417	1,319,794

Included in amounts redistributed and recognized in revenues is \$842,150 redistributed to event revenue and event partners.

9. Internal restrictions and distributions

The Foundation's Board of Directors approved internal restrictions to offset a potential decline in the revenue from investments. Accordingly, \$209,736 was transferred from the net assets internally restricted to the investments impairment to the unrestricted net assets (as compared to \$238,524 was transferred from the unrestricted net assets to the net assets internally restricted to the investment impairment in 2022). 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. The amount of the distributions is \$473,000 (2022 - \$447,000), of which \$123,807 was distributed from the endowment fund and \$63,193 was transferred from the endowment fund to the unrestricted fund.

10. Net investment loss

	2023	2022
Dividends	326,958	313,030
Interest income	13,524	304,504
Transaction costs	(102,425)	(134,806)
Net change in fair value of investments	(252,277)	(931,966)
Gain (loss) on sale of investments	(4,074)	257,215
	(18,294)	(192,023)

Douglas Mental Health University Institute Foundation

Notes to the Financial Statements

For the year ended March 31, 2023

11. Distributions from donations

	2023	2022
Douglas Mental Health University Institute		
Restricted donations	81,464	83,300
Douglas Hospital Research Centre		
Restricted donations	1,183,082	1,304,831
Donation for operations	1,200,000	1,200,000
	2,383,082	2,504,831
McGill University		
Restricted donations	273,438	382,815
	2,737,984	2,970,946

12. 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.

13. Gifts-in-kind

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

	2023	2022
Donations in shares	92,159	100,083

14. 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.

Douglas Mental Health University Institute Foundation

Notes to the Financial Statements

For the year ended March 31, 2023

14. Financial instruments *(Continued from previous page)*

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 \$635,406 (2022 - \$691,159). Actual results could differ and the difference could be significant.

15. Related party transactions

The Douglas Mental Health University Institute and the Douglas Hospital Research Centre both have an economic interest in the Foundation as the mission of the Foundation includes the collection, investing and distributing of financial resources that are used to support them.

During the year, the Foundation paid \$81,464 (2022 - \$83,300) in distributions from donations received to the Douglas Mental Health University Institute.

In addition, during the year, the Foundation paid \$2,383,082 (\$2022 - 2,504,831) in distributions from donations received to the Douglas Hospital Research Centre.

16. Comparative figures

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