

**MENTAL HEALTH FOUNDATION**  
**Financial Statements**  
**Year Ended March 31, 2014**

**MENTAL HEALTH FOUNDATION**  
**Index to Financial Statements**  
**Year Ended March 31, 2014**

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of  DFK  
INTERNATIONAL

June 24, 2014  
Edmonton, Alberta

## INDEPENDENT AUDITOR'S REPORT

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To the Boards of Mental Health Foundation

We have audited the accompanying financial statements of Mental Health Foundation (the "Foundation"), which comprise the statement of financial position as at March 31, 2014 and the statements of revenues and expenditures, changes in net assets and cash flow 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.

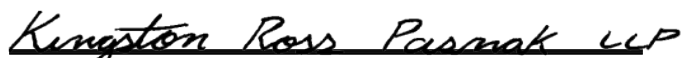
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### *Basis for Qualified Opinion*

In common with many charitable organizations, the Foundation derives revenue from donations received from various fundraising activities, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets.

### *Qualified Opinion*

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the contributions referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of Mental Health Foundation, as at March 31, 2014 and the results of its operations and its cash flow for the year then ended in accordance with Accounting Standards for Not-for-Profit Organizations.

  
**Kingston Ross Pasnak LLP**  
Chartered Accountants

**MENTAL HEALTH FOUNDATION**  
**Statement of Financial Position**  
**March 31, 2014**

	2014	2013
<b>ASSETS</b>		
CURRENT		
Cash	\$ 477,591	\$ 137,937
Marketable securities (Note 3)	1,353,618	1,226,725
Accounts receivable	-	350,000
Prepaid expenses	3,851	4,798
	<b>1,835,060</b>	<b>1,719,460</b>
ENDOWMENT INVESTMENTS (Note 4)	<b>224,826</b>	<b>224,826</b>
	<b>\$ 2,059,886</b>	<b>\$ 1,944,286</b>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT		
Accounts payable and accrued liabilities	\$ 51,329	\$ 40,099
Goods and Services Tax payable	2,184	2,765
Deferred funding (Note 5)	-	129,680
Deferred contributions (Note 6)	13,808	7,660
Deferred investment earnings on endowments (Note 7)	54,978	41,674
Deferred grant revenue (Note 8)	430,495	427,000
	<b>552,794</b>	<b>648,878</b>
COMMITMENTS (Note 9)		
NET ASSETS		
Unrestricted fund	1,282,266	1,070,582
Endowments (Note 4)	224,826	224,826
	<b>1,507,092</b>	<b>1,295,408</b>
	<b>\$ 2,059,886</b>	<b>\$ 1,944,286</b>

**ON BEHALF OF THE BOARD**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**MENTAL HEALTH FOUNDATION**  
**Statement of Revenues and Expenditures**  
**Year Ended March 31, 2014**

	2014	2013
<b>REVENUE</b>		
Donations and fundraising	\$ 578,881	\$ 358,284
Alberta Health Services funding	129,680	133,333
Investment income	24,251	24,599
	<b>732,812</b>	<b>516,216</b>
<b>DIRECT FUNDRAISING EXPENDITURES</b>	<b>35,969</b>	<b>38,412</b>
	<b>696,843</b>	<b>477,804</b>
<b>EXPENSES</b>		
Administration	134,423	172,104
Amortization	-	2,306
	<b>134,423</b>	<b>174,410</b>
<b>EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER INCOME (DISBURSEMENTS)</b>	<b>562,420</b>	<b>303,394</b>
<b>OTHER INCOME (DISBURSEMENTS)</b>		
Gain on disposal of marketable securities	78,567	20,068
Unrealized gain on marketable securities	19,500	41,877
Foreign exchange gain	431	101
Disbursements	(449,234)	(371,519)
	<b>(350,736)</b>	<b>(309,473)</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>\$ 211,684</b>	<b>\$ (6,079)</b>

**MENTAL HEALTH FOUNDATION**  
**Statement of Changes in Net Assets**  
**Year Ended March 31, 2014**

	2013 Balance	Excess of revenue over expenses	<b>2014 Balance</b>
Unrestricted fund	\$ 1,070,582	\$ 211,684	\$ <b>1,282,266</b>
Endowments	224,826	-	<b>224,826</b>
	<b>\$ 1,295,408</b>	<b>\$ 211,684</b>	<b>\$ 1,507,092</b>

**MENTAL HEALTH FOUNDATION**  
**Statement of Cash Flow**  
**Year Ended March 31, 2014**

	2014	2013
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenses	\$ 211,684	\$ (6,079)
Items not affecting cash:		
Amortization	-	2,306
Gain on disposal of marketable securities	(78,567)	(20,068)
Unrealized gain on marketable securities	(19,500)	(41,877)
Foreign exchange gain	431	101
Deferred funding	(129,680)	(133,333)
	(15,632)	(198,950)
Changes in non-cash working capital:		
Accounts receivable	350,000	(349,920)
Accounts payable and accrued liabilities	11,231	4,727
Deferred contributions	6,148	507
Prepaid expenses	947	(1,769)
Goods and Services Tax recoverable	(581)	6,432
Deferred investment earnings on endowments	13,304	20,946
Deferred grant revenue	3,495	427,000
	384,544	107,923
Cash flow from (used by) operating activities	368,912	(91,027)
<b>INVESTING ACTIVITIES</b>		
Proceeds from sale of marketable securities	1,052,714	532,141
Purchase of marketable securities	(1,081,972)	(552,217)
Cash flow used by investing activities	(29,258)	(20,076)
<b>INCREASE (DECREASE) IN CASH</b>	<b>339,654</b>	<b>(111,103)</b>
CASH - BEGINNING OF YEAR	137,937	249,040
<b>CASH - END OF YEAR</b>	<b>\$ 477,591</b>	<b>\$ 137,937</b>
<b>CASH FLOW SUPPLEMENTARY INFORMATION</b>		
Interest received	\$ 27,548	\$ 25,063

**MENTAL HEALTH FOUNDATION**  
**Notes to Financial Statements**  
**Year Ended March 31, 2014**

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1. PURPOSE OF ORGANIZATION

Mental Health Foundation (the "Foundation") was incorporated on June 24, 2004 but remained substantially inactive until April 1, 2005. The Foundation operates under the provision of the Regional Health Authorities Act of Alberta. The Foundation receives contributions and donations and provides funding for patient care, research and education. The Foundation is exempt from payment of income tax and is a registered charity under the Income Tax Act (Canada).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNFP). Canadian Accounting Standards for Not-for-Profit Organizations are part of Canadian GAAP.

Revenue recognition

These financial statements have been prepared using the deferral method of accounting which requires:

- i) Unrestricted donations are recognized as revenue in the year they are received or become receivable.
- ii) Externally restricted contributions and funding are deferred and recognized as revenue as the related expenses are incurred.
- iii) Endowments are recorded as direct increases to net assets.
- iv) Unrestricted investment income is recognized as revenue in the year it is earned.
- v) Investment income earned on endowments is recorded as deferred investment earnings on endowments. The investment income earned is taken into income upon disbursement in accordance with the endowment agreements.
- vi) Donations and contributions-in-kind are recorded at fair value when such value can be reasonably determined.
- vii) Fundraising revenues are recognized as revenue in the year they are received.

Allocation of expenses

The Foundation does not classify its expenses by function and as such does not allocate its operating expenses to the fundraising activities.

Financial instruments

All financial instruments are initially measured at fair value, and, unless otherwise noted, the Foundation subsequently measures its financial instruments at amortized cost.

*(continues)*



**MENTAL HEALTH FOUNDATION**  
**Notes to Financial Statements**  
**Year Ended March 31, 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Marketable securities and endowment investments

Marketable securities and endowment investments are recorded at fair value. The Foundation's marketable securities and endowment investments consist of fixed income investments, equities and money market investments. Transactions costs are recognized immediately in the statement of operations.

Measurement uncertainty

The preparation of financial statements in conformity with the accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates. Significant management estimates pertain to the useful life of equipment and collectibility of accounts receivable.

3. MARKETABLE SECURITIES

	2014	2013
Fixed income investments, with effective yield ranging from 1.700% to 8.100% and maturity dates ranging from December 2016 to December 2106	\$ 991,515	\$ 714,879
Canadian equity investments	196,504	454,012
Foreign equity investments	283,088	176,845
Money market investments	107,337	105,815
	<b>1,578,444</b>	1,451,551
Allocated to endowment investments	<b>(224,826)</b>	<b>(224,826)</b>
	<b>\$ 1,353,618</b>	<b>\$ 1,226,725</b>

4. ENDOWMENT INVESTMENTS

	2014	2013
Lillian Simonet	\$ 203,126	\$ 203,126
Cottonwood Rehabilitation	12,700	12,700
Easton Memorial	6,000	6,000
Theirman Construction	3,000	3,000
	<b>\$ 224,826</b>	<b>\$ 224,826</b>

**MENTAL HEALTH FOUNDATION**  
**Notes to Financial Statements**  
**Year Ended March 31, 2014**

5. DEFERRED FUNDING

In the 2011, the Foundation received \$400,000 from Alberta Health Services for the purpose of assisting the Foundation in achieving self-funding status. The funds are to be utilized in a manner consistent with enabling the Foundation to self-fund within three years from receipt of the funding and thus is recognized over the three year life.

6. DEFERRED CONTRIBUTIONS

	2014	2013
Balance, beginning of year	\$ 7,660	\$ 7,153
Contributions during the year	5,450	-
Externally restricted amounts received:		
Investment earnings	698	507
	<b>\$ 13,808</b>	<b>\$ 7,660</b>

Unspent amounts at the end of the year are current liabilities and are restricted for the following purposes:

Patient care and education	\$ 5,954	\$ 5,954
Sponsorship	5,450	-
Bridgeway Fund	2,220	1,522
Patient library	184	184
	<b>\$ 13,808</b>	<b>\$ 7,660</b>

7. DEFERRED INVESTMENT EARNINGS ON ENDOWMENTS

	2014	2013
Balance, beginning of year	\$ 41,674	\$ 20,728
Interest income deferred	28,832	20,946
Disbursement	(15,528)	-
	<b>\$ 54,978</b>	<b>\$ 41,674</b>

**MENTAL HEALTH FOUNDATION**  
**Notes to Financial Statements**  
**Year Ended March 31, 2014**

8. DEFERRED GRANT REVENUE

Deferred grant revenue represents unspent externally restricted grants.

	<b>2014</b>	2013
Beginning balance	\$ 427,000	\$ -
Add: amounts received in the current year	250,000	474,854
Less: amounts recognized as revenue in the year	(230,235)	(47,854)
Less: amounts refunded in the current year	(16,270)	-
	<b>\$ 430,495</b>	<b>\$ 427,000</b>

9. COMMITMENTS

At March 31, 2014, the Foundation committed \$458,495 for funding of specifically identified external projects. The Foundation has deferred these funds as at March 31, 2014 until it can be confirmed that the money is spend in accordance to the requirements of the funding agreements.

10. SERVICES IN KIND

Accommodation costs and certain overhead costs incurred in the administration of the Foundation, paid for by Alberta Health Services cannot be reasonably estimated and consequently are not reflected in these financial statements.

**MENTAL HEALTH FOUNDATION**  
**Notes to Financial Statements**  
**Year Ended March 31, 2014**

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11. FINANCIAL INSTRUMENTS

The Foundation is exposed to various risks through its financial instruments. The following analysis provides information about the Foundation's risk exposure and concentration as of March 31, 2014. Unless otherwise noted, the Foundation's risk exposure has not changed from the prior year

*Currency risk*

Currency risk is the risk to the Foundation's earnings that arise from fluctuation of foreign exchange rates and the degree of volatility of these rates. The Foundation is exposed to foreign currency exchange risk on investments held in foreign currencies. The Foundation does not use derivative instruments to reduce its exposure to foreign currency risk.

*Interest rate risk*

The Foundation is exposed to interest risk on its fixed and floating rate marketable securities. The Foundation has not entered into any financial derivatives or other financial instruments to hedge against risk. In seeking to minimize the risks from interest rate fluctuations, the Foundation actively manages exposure through its active portfolio management policies and procedures.

*Market risk*

The Foundation is exposed to market risk through its marketable securities and endowment investments. Management believes the risk faced by the Foundation with regards to market risk is an acceptable risk faced in the ordinary course of business and seeks to minimize the risks associated with its investment portfolio through effectively supervising, monitoring and evaluating the management of its investment portfolio. The Foundation has developed a formal Investment Policy Statement to assist in minimizing the risk associated with its marketable securities while preserving the investment portfolio value and providing a stable income stream to permit the Foundation to carry out its mandate.

12. ADDITIONAL INFORMATION TO COMPLY WITH DISCLOSURE REQUIREMENTS OF THE CHARITABLE FUND RAISING ACT AND REGULATIONS

In 2014, \$83,569 (2013 - \$223,012) was received as fundraising campaign revenue where donation receipts were not issued.

In 2014, \$93,930 (2013 - \$122,072) was paid as remuneration to employees whose duties involve fundraising