

# **Centre for Addiction and Mental Health**

Financial Statements  
**March 31, 2018**  
(in thousands of dollars)



May 24, 2018

## **Independent Auditor's Report**

### **To the Trustees of Centre for Addiction and Mental Health**

We have audited the accompanying financial statements of Centre for Addiction and Mental Health, which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise 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 public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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*PricewaterhouseCoopers LLP  
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2  
T: +1 416 863 1133, F: +1 416 365 8215*



**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Centre for Addiction and Mental Health as at March 31, 2018, and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

# Centre for Addiction and Mental Health

## Statement of Financial Position

As at March 31, 2018

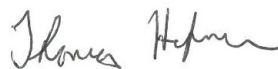
(in thousands of dollars)

	2018 \$	2017 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	40,557	35,790
Restricted cash (note 3(b), (c) and (d))	7,643	1,802
Accounts receivable	30,300	25,807
Due from Ministry of Health and Long-Term Care, Redevelopment Project (note 3)	33,534	3,540
Inventories	1,196	1,940
Prepaid expenses	1,845	1,723
	<u>115,075</u>	<u>70,602</u>
<b>Restricted cash</b> (note 3(b))	3,207	3,281
<b>Long-term receivable</b> (note 3)	114,462	108,091
<b>Investments</b> (note 4)	47,115	46,076
<b>Capital assets</b> (note 5)	<u>471,558</u>	<u>437,908</u>
	<u>751,417</u>	<u>665,958</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 8(b))	57,419	58,667
Long-term payable (note 3)	<u>32,192</u>	<u>1,217</u>
	89,611	59,884
<b>Deferred contributions related to research funds</b> (note 7(a))	26,283	23,322
<b>Other deferred contributions</b> (note 7(b))	10,426	8,970
<b>Long-term payable</b> (note 3)	116,631	110,233
<b>Deferred capital contributions</b> (note 6)	<u>418,432</u>	<u>379,071</u>
	<u>661,383</u>	<u>581,480</u>
<b>Net Assets</b>		
<b>Investment in capital assets</b>	60,451	61,333
<b>Internally restricted</b>	29,583	23,118
<b>Unrestricted</b>	-	-
<b>Endowment</b>	<u>-</u>	<u>27</u>
	<u>90,034</u>	<u>84,478</u>
	<u>751,417</u>	<u>665,958</u>

Approved by the Board of Directors



Chair, Board of Trustees



Chair, Audit, Finance and Resource Committee

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

# Centre for Addiction and Mental Health

## Statement of Operations

For the year ended March 31, 2018

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(in thousands of dollars)

	2018 \$	2017 \$
<b>Revenue</b>		
Ministry of Health and Long-Term Care/Toronto Central Local Health Integration Network grants (note 7(b))	325,006	313,154
Patient revenue	3,511	2,029
Other grants (notes 7(a) and 9)	55,158	49,765
Ancillary and other	22,673	24,195
Amortization of deferred capital contributions (note 6)	17,245	16,245
Investment income	940	704
	<hr/> 424,533	<hr/> 406,092
<b>Expenses</b>		
Salaries, wages and employee benefits (note 7(a))	299,355	282,990
Supplies and other (notes 3(b) and 7(a))	87,995	87,948
Depreciation	25,050	23,037
Rent	2,594	2,622
Drugs and medical supplies	3,956	4,197
	<hr/> 418,950	<hr/> 400,794
<b>Excess of revenue over expenses for the year</b>	<hr/> <b>5,583</b>	<hr/> <b>5,298</b>

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

# Centre for Addiction and Mental Health

## Statement of Changes in Net Assets

For the year ended March 31, 2018

(in thousands of dollars)

					2018	2017
	Investment in capital assets \$	Internally restricted \$	Unrestricted \$	Endowment \$	Total \$	Total \$
<b>Net assets - Beginning of year</b>	61,333	23,118	-	27	84,478	79,180
Excess of revenue over expenses for the year	-	-	5,583	-	5,583	5,298
Acquisition of capital assets	6,923	(6,923)	-	-	-	-
Depreciation of capital assets	(25,050)	25,050	-	-	-	-
Amortization of deferred capital contributions	17,245	(17,245)	-	-	-	-
Interfund transfer (note 10)	-	5,583	(5,583)	(27)	(27)	-
<b>Net assets - End of year</b>	60,451	29,583	-	-	90,034	84,478

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

# Centre for Addiction and Mental Health

## Statement of Cash Flows

For the year ended March 31, 2018

(in thousands of dollars)

	2018 \$	2017 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenses for the year	5,583	5,298
Add (deduct): Items not affecting cash		
Depreciation	25,050	23,037
Amortization of deferred capital contributions	(17,245)	(16,245)
Amortization of premium on investment in bonds	395	325
Loss on disposal of capital assets	119	521
	<u>13,902</u>	<u>12,936</u>
Net change in non-cash working capital balances		
Accounts receivable	(2,790)	(715)
Inventories	744	561
Prepaid expenses	(122)	459
Accounts payable and accrued liabilities	(1,211)	(8,234)
Net change in deferred contributions related to research funds	2,961	2,753
Net change in other deferred contributions	1,456	654
	<u>14,940</u>	<u>8,414</u>
<b>Investing activities</b>		
(Increase) decrease in restricted cash	(5,767)	7,821
(Purchases) of investments	(14,976)	(99,247)
Proceeds from disposal of investments	13,542	98,502
	<u>(7,201)</u>	<u>7,076</u>
<b>Financing activities</b>		
Contributions received restricted for capital purposes	18,510	26,069
Principal repayment of long-term payable	(1,195)	(1,103)
	<u>17,315</u>	<u>24,966</u>
<b>Capital activities</b>		
Purchase of capital assets	(20,287)	(41,601)
<b>Net increase (decrease) in cash during the year</b>	<b>4,767</b>	<b>(1,145)</b>
<b>Cash - Beginning of year</b>	<b>35,790</b>	<b>36,935</b>
<b>Cash - End of year</b>	<b>40,557</b>	<b>35,790</b>
<b>Non-cash transactions</b>		
Due from Ministry of Health and Long-Term Care related to deferred capital contributions recorded	38,096	18,710
Short-term financing of acquisition of capital assets	32,192	1,195
Long-term financing of acquisition of capital assets	6,340	17,515

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

# Centre for Addiction and Mental Health

## Notes to Financial Statements

March 31, 2018

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(in thousands of dollars, except where otherwise noted)

### 1 Operations

The Centre for Addiction and Mental Health (CAMH) is a specialty psychiatric hospital located on two primary sites in Toronto. CAMH is dedicated to providing clinical care and recovery, research and education in connection with addiction and mental health. The organization also plays a significant role in policy development and support in Ontario's mental health and addictions system.

CAMH was incorporated by Letters Patent of Amalgamation under the Corporations Act (Ontario) without share capital on January 23, 1998. CAMH is a registered charity, as defined in the Income Tax Act (Canada), and as such is exempt from income taxes. The operations of CAMH are subject to the provisions of the Public Hospitals Act (Ontario).

### 2 Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards (PSAS), including standards that apply to government not-for-profit organizations. A summary of the significant accounting policies is outlined below.

#### Basis of presentation

These financial statements include the assets, liabilities and activities of CAMH. These financial statements do not include the activities of the Centre for Addiction and Mental Health Foundation (CAMH Foundation or the Foundation), a non-controlled affiliated entity (note 9).

#### Revenue recognition

CAMH follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized as revenue when received or receivable. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Under the Health Insurance Act (Ontario) and the regulations thereunder, CAMH is funded primarily by the Province of Ontario in accordance with funding arrangements established by the Ministry of Health and Long-Term Care (MOHLTC) and the Toronto Central Local Health Integration Network (TCLHIN). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized when earned in the subsequent period. These financial statements reflect management's best estimates of funding arrangements with the MOHLTC/TCLHIN.

Contributions received in the form of donations and grants for specific capital expenditures are initially deferred and recorded as deferred capital contributions. These deferred contributions are realized into revenue on the same basis as the amortization of the cost of the related capital assets. Funding for capital expenditures is recorded when there is an agreement with the ultimate donor and there is reasonable assurance the funding will be received in the near future.

Endowment contributions are recognized as direct increases in net assets.



# Centre for Addiction and Mental Health

## Notes to Financial Statements

March 31, 2018

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(in thousands of dollars, except where otherwise noted)

Ancillary and patient care revenue is recognized when services are provided and collectibility is reasonably assured.

Interest, dividends and realized gains (losses) are recorded as investment income in the statement of operations, except to the extent that the amount is externally restricted, in which case it is added to or deducted from endowment net assets or other restricted balances.

### **Cash**

Cash represents cash on hand and cash at the bank.

### **Inventories**

Inventories consist primarily of supplies held for patient care and are recorded at the lower of cost and replacement cost. Cost is determined using the average cost method.

### **Capital assets**

Capital assets are stated at cost, less accumulated depreciation.

Contributed capital assets are recorded at fair value at the date of contribution. When capital assets no longer contribute to CAMH's ability to provide services, their carrying amounts are written down to their residual value. Costs incurred for new facilities, or that substantially increase the useful lives of existing property and equipment, are capitalized. Costs to maintain normal operating efficiency are expensed as incurred.

Construction-in-progress comprises direct construction and development costs. No depreciation is recorded until construction is substantially complete and the assets are ready for use.

Capital assets are depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	20 - 40 years
Equipment and furniture	5 - 10 years

### **Contributed materials and services**

Certain services of CAMH are voluntarily provided by the community. Due to the difficulty of determining the fair value, these contributed services are not recognized or disclosed in the financial statements.

### **Internally restricted net assets**

The Board of Trustees internally restricts net assets, from unrestricted funds, to be used for specific purposes including capital projects.

# Centre for Addiction and Mental Health

## Notes to Financial Statements

March 31, 2018

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(in thousands of dollars, except where otherwise noted)

### Employee benefit plans

- Multi-employer plan

Certain employees of CAMH as at March 9, 1998 and all employees joining CAMH since that date are eligible to be members of the Healthcare of Ontario Pension Plan (HOOPP), which is a multi-employer, defined benefit, highest consecutive average earnings, and contributory pension plan. The Plan is accounted for as a defined contribution plan.

Certain employees of CAMH are members of the Ontario Public Service Employees Union (OPSEU) Pension Plan, which is a multi-employer, defined benefit, highest consecutive average earnings, and contributory pension plan. The OPSEU Pension Plan is also accounted for as a defined contribution plan as it is a multi-employer plan.

- Employee future benefits

Certain employees of CAMH are entitled to receive post-employment benefits. The costs of these benefits are determined using the accrued benefit method pro-rated on service and management's best estimate of expected salary escalation, retirement ages of employees and health-care costs. The discount rate used to determine the accrued benefit obligation was determined by reference to the rate of return on provincial government bonds with an additional risk premium specific to CAMH for varying durations based on the cash flows expected from the post-employment benefit obligations.

Past-service costs from plan amendments are expensed when the amendment takes effect.

The net actuarial gain (loss) is amortized over the average remaining service period of active employees.

### Investments

Investments are classified in one of the following categories: (i) fair value; or (ii) cost or amortized cost. CAMH determines the classification of its investments at initial recognition.

Investments reported at fair value consist of investments in pooled funds and short-term notes. Transaction costs are recognized in the statement of operations in the period during which they are incurred. Investments at fair value are remeasured at the end of each reporting period. Investments in securities not designated to be measured at fair value are initially recorded at fair value plus transaction costs and are subsequently measured at amortized cost using the effective interest rate method, less any provision for impairment. Investments reported at amortized cost consist of treasury bills, guaranteed investment certificates, and bonds.

All investment transactions are recorded on a trade date basis.

A writedown is recognized in the statement of operations for a portfolio investment in either category when there has been a loss in the value of the investment that is considered as other than temporary. Subsequent changes to remeasurement of a portfolio investment in the fair value category, if any, are reported in a statement of remeasurement gains and losses. If the loss in value of the portfolio investment subsequently reverses, the writedown to the statement of operations is not reversed until the investment is sold.

# Centre for Addiction and Mental Health

## Notes to Financial Statements

March 31, 2018

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(in thousands of dollars, except where otherwise noted)

### Use of estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Accounts requiring significant estimates include collectibility of accounts receivable, accrued liabilities, deferred revenue and employee future benefits.

The revenue recognized from the MOHLTC/TCLHIN requires some estimation. CAMH has entered into accountability agreements that set out the rights and obligations of the parties in respect of funding provided to CAMH by the MOHLTC/TCLHIN for the year ended March 31, 2018. The accountability agreements set out certain performance standards and obligations that establish acceptable results for CAMH's performance in a number of areas.

If CAMH does not meet its performance standards or obligations, MOHLTC/TCLHIN has the right to adjust funding received by CAMH. The MOHLTC/TCLHIN is not required to communicate certain funding adjustments until after submission of year-end data. Since this data is not submitted until after the completion of the financial statements, the amount of the MOHLTC/TCLHIN funding received during a year may be increased or decreased subsequent to year-end. The amount of revenue recognized in these financial statements represents management's best estimates of amounts that have been earned during the year.

The provisions against accounts receivable balances are primarily assessed against the historical collectibility of the accounts with specific provisions for larger outstanding balances deemed potentially uncollectible.

### 3 Redevelopment project

CAMH is undertaking a multi-phase project to transform the Queen Street site from a traditional psychiatric hospital into a world-class centre for mental health and addiction care, research, education and health promotion and prevention, centred on the concept of an urban village (the Project). CAMH intends to consolidate a substantial part of its operations from its two main sites into a newly redeveloped site, which will serve as the central hub for CAMH's programs, services and resources. This multi-phase project is being funded by the MOHLTC, CAMH Foundation and by CAMH through internally generated funds.

The breakdown of long-term payable by phases of the redevelopment project is as follows:

	2018 \$	2017 \$
Phase 1B	92,776	93,935
Phase 1C	56,047	17,515
Phase 1D	-	-
	<hr/>	<hr/>
	148,823	111,450
Less: Current portion of long-term debt	32,192	1,217
	<hr/>	<hr/>
Long-term payable	116,631	110,233
	<hr/>	<hr/>

# Centre for Addiction and Mental Health

## Notes to Financial Statements

March 31, 2018

(in thousands of dollars, except where otherwise noted)

The breakdown of MOHLTC accounts receivable by phases of the redevelopment project is as follows:

	2018 \$	2017 \$
Phase 1A	1,341	1,341
Phase 1B	91,974	92,775
Phase 1C	53,568	17,255
Phase 1D	-	-
	146,883	111,371
Less: Long-term receivable from MOHLTC	113,349	107,831
Due from MOHLTC - redevelopment project	<u>33,534</u>	<u>3,540</u>

### a) Phase 1A

Phase 1A of the Project was completed with a total cost of \$34.8 million. As at March 31, 2018, all funding for this phase of the Project has been received, except for the final payment of \$1.3 million (2017 - \$1.3 million) receivable from the MOHLTC.

### b) Phase 1B

In December 2009, CAMH entered into a project agreement with a third party construction company, CHS (CAMH) Partnership, to design, build, finance and maintain (for a 30-year term) the buildings constructed as part of Phase 1B.

The balance of the principal amount due to CHS (CAMH) Partnership of \$92.8 million is related to the construction of the buildings and bears interest at 7.8%, repayable in blended monthly instalments of \$0.73 million, and matures on May 31, 2042. In addition, the balance of operating and lifecycle maintenance services costs of \$128.6 million is payable for the duration of the agreement. The payments over the next five years and thereafter are as follows:

	Debt \$	Interest \$	Operating costs \$	Lifecycle \$
2019	1,295	7,454	2,752	530
2020	1,404	7,345	2,804	418
2021	1,522	7,227	2,857	609
2022	1,650	7,099	2,912	544
2023	1,788	6,961	2,967	1,226
Thereafter	85,117	82,571	69,188	41,758
	<u>92,776</u>	<u>118,657</u>	<u>83,480</u>	<u>45,085</u>

During the year ended March 31, 2018, interest expense of \$7.7 million (2017 - \$7.8 million) was included in supplies and other expenses in the statement of operations.

# Centre for Addiction and Mental Health

## Notes to Financial Statements

March 31, 2018

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(in thousands of dollars, except where otherwise noted)

Part of the agreement with CHS (CAMH) Partnership requires that it provide certain operating and maintenance services to May 31, 2042. The remaining total cost of these services is estimated to be \$83.5 million. These costs will be funded by the MOHLTC, either directly or through CAMH's operating budget.

During the year ended March 31, 2018, operating and maintenance costs of \$2.6 million (2017 - \$2.5 million) were included in supplies and other expenses in the statement of operations. In addition, CAMH is committed to making total payments of approximately \$45.1 million related to lifecycle maintenance over the remaining period of the agreement to May 31, 2042. These payments are also to be substantially funded by the MOHLTC and included in revenue from MOHLTC.

As at March 31, 2018, CAMH has received amounts from the MOHLTC and the Foundation in connection with the funding of Phase 1B of the Project and has recorded amounts receivable. A long-term receivable of \$89.3 million (2017 - \$90.6 million) and short-term receivable of \$2.7 million (2017 - \$2.2 million) from the MOHLTC have been recorded in connection with committed funding to be received. The amounts received and receivable to date are included in deferred capital contributions (note 6).

The Project agreement with the MOHLTC requires CAMH to deposit any cash received to fund amounts due to CHS (CAMH) Partnership in a restricted bank account. As at March 31, 2018, there are funds received in advance of \$3.2 million (2017 - \$3.3 million) in long-term restricted cash and \$0.3 million (2017 - \$0.1 million) in current restricted cash. The classification is based on whether the funds are to be used to fund the current or long-term amount due to CHS (CAMH) Partnership.

In connection with Phase 1B, letters of credit in favour of municipalities and utilities have been issued, aggregating to \$nil (2017 - \$0.50 million). These letters of credit have been secured by a \$15 million credit facility.

### c) Phase 1C

In February 2017, the MOHLTC and CAMH signed the Design Build Finance Maintain Agreement regarding the construction of two new buildings for the Phase 1C Client Care Building & Centre for Discovery and Knowledge Exchange Project. The MOHLTC committed capital funding of up to \$633 million to assist with the cost of the project. As at March 31, 2018, CAMH received \$28.7 million (2017 - \$21.6 million) from the MOHLTC for the planning and design phase of this project. To date, CAMH has incurred \$78.7 million (2017 - \$37.4 million) in capital costs, which are included as construction-in-progress in capital assets (note 5). As at March 31, 2018, CAMH recorded a long-term receivable of \$25.1 million (2017 - \$17.5 million) and a short-term receivable of \$31.3 million from MOHLTC and the Foundation. The remaining amount of funds received in advance for planning and design of \$6.2 million (2017 - \$1.7 million) is included in the current restricted cash.

In March 2017, CAMH entered into a project agreement with a third party construction company, Plenary Health Phase 1C LP, to design, build, finance and maintain (for a 30-year term) buildings constructed as part of Phase 1C with a total commitment of \$741.8 million excluding taxes. As at March 31, 2018, CAMH recorded a long-term payable of \$25.1 million (2017 - \$17.5 million) and a short-term payable of \$30.9 million (2017 - \$nil).

# Centre for Addiction and Mental Health

## Notes to Financial Statements

March 31, 2018

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(in thousands of dollars, except where otherwise noted)

### d) Phase 1D

On August 1, 2017, the MOHLTC confirmed one-time capital funding of up to \$2.5 million to assist CAMH with the costs of completing the early capital planning stage requirements for the proposed Phase 1D Redevelopment Project. On August 28, 2017, the MOHLTC and CAMH signed the Planning Agreement. The remaining amount of funds received of \$0.5 million (2017 - \$nil) is included in the current restricted cash.

As at March 31, 2018, CAMH received \$2.5 million from the MOHLTC for the early planning stage requirements of the project. CAMH has incurred \$2.1 million in capital costs, which are included in construction-in-progress in capital assets (note 5).

### e) Redevelopment other

As at March 31, 2018, CAMH recorded a short-term receivable from the Foundation of \$3.0 million (2017 - \$3.0 million) for the funding of other projects such as Space Management and Clinical Information Solution (CIS) Phase 2.

Funding received from other sources for other redevelopment projects totalled \$35.8 million, of which \$0.6 million (2017 - \$nil) is included in the current restricted cash.

## 4 Investments

Investments consist of the following:

	2018 \$	2017 \$
Guaranteed Investment Certificates	13,850	13,694
Bonds	32,680	32,382
Other	585	-
	<hr/> 47,115	<hr/> 46,076

As at March 31, 2018, Guaranteed Investment Certificates have an average term to maturity of 0.52 years (2017 - 0.93 years), long-term bonds have an average term to maturity of 0.85 years (2017 - 1.76 years) and the investments portfolio has an average yield of 1.17% (2017 - 1.02%).

CAMH has interests in various other companies related to research related transactions. The value of these transactions is recorded as other investments or otherwise has no associated cost.

# Centre for Addiction and Mental Health

## Notes to Financial Statements

March 31, 2018

(in thousands of dollars, except where otherwise noted)

### 5 Capital assets

Capital assets consist of the following:

	<b>2018</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>depreciation</b>	<b>\$</b>
		<b>\$</b>	
Land	9,101	-	9,101
Buildings	59,978	29,537	30,441
Equipment and furniture	135,564	79,933	55,631
Site redevelopment (note 3)			
Buildings	345,224	64,680	280,544
Equipment and furniture	30,891	15,861	15,030
Construction-in-progress	80,811	-	80,811
	<b>661,569</b>	<b>190,011</b>	<b>471,558</b>
	<b>2017</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>depreciation</b>	<b>\$</b>
		<b>\$</b>	
Land	9,101	-	9,101
Buildings	56,494	26,583	29,911
Equipment and furniture	134,272	79,938	54,334
Site redevelopment (note 3)			
Buildings	346,937	57,669	289,268
Equipment and furniture	30,879	13,571	17,308
Construction-in-progress	37,986	-	37,986
	<b>615,669</b>	<b>177,761</b>	<b>437,908</b>

Construction-in-progress consists primarily of Phase 1C of the redevelopment project (note 3(c)) and Phase 1D (note 3(d)).

During the year, CAMH wrote off assets with a cost of \$12.9 million (2017 - \$0.63 million) and an accumulated depreciation of \$12.8 million (2017 - \$0.11 million).

### 6 Deferred capital contributions

The changes in the deferred capital contributions balance are as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Balance - Beginning of year	379,071	369,247
Less: Amortization of deferred capital contributions	(17,245)	(16,245)
Add: Contributions restricted for capital purposes	56,606	26,069
	<b>418,432</b>	<b>379,071</b>

# Centre for Addiction and Mental Health

## Notes to Financial Statements

March 31, 2018

(in thousands of dollars, except where otherwise noted)

Included in the above balances are contributions of \$7.3 million (2017 - \$2.5 million) received but not yet used to purchase capital assets (note 5).

### 7 Deferred contributions

- a) Deferred contributions related to research funds represent unspent externally restricted grants for research. The changes in the deferred contributions balance related to research funds are as follows:

	2018 \$	2017 \$
Balance - Beginning of year	23,322	20,570
Amount received during the year	55,911	51,663
Amount recognized as revenue during the year	(52,950)	(48,911)
Balance - End of year	26,283	23,322

The funds were spent in the following areas for research activities:

	2018 \$	2017 \$
Salaries, wages and employee benefits	26,782	23,857
Supplies and other	25,995	24,863
Total funds spent on research activities during the year	52,777	48,720

- b) Other deferred contributions represent unspent externally restricted grants and donations for various programs. The changes in the other deferred contributions balance are as follows:

	2018 \$	2017 \$
Balance - Beginning of year	8,970	8,316
Amount received during the year	40,628	40,281
Amount recognized as revenue during the year	(39,172)	(39,627)
Balance - End of year	10,426	8,970

### 8 Employee benefit plans

#### a) Multi-employer pension plans

CAMH's contributions to HOOPP during the year amounted to \$16.4 million (2017 - \$15.1 million) and are included in salaries, wages and employee benefits expense in the statement of operations. The most recent actuarial valuation for financial reporting purposes was completed by HOOPP as at March 31, 2016.

CAMH's contributions to the OPSEU Pension Plan during the year amounted to \$1.7 million (2017 - \$1.8 million) and are included in salaries, wages and employee benefits expense in the statement of operations.



# Centre for Addiction and Mental Health

## Notes to Financial Statements

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### b) Non-pension, post-employment benefit plans

CAMH offers health-care and dental benefit plans to certain retired employees. CAMH measures its accrued benefit obligation for accounting purposes as at March 31 of each year. Information about CAMH's non-pension, post-employment defined benefit plans is calculated based on the latest actuarial valuation performed on March 31, 2018.

The employee future benefits as at March 31 include the following components:

	<b>2018</b>	<b>2017</b>
	\$	\$
Accrued benefit obligation	1,518	1,463
Unamortized actuarial gain	383	407
	<hr/>	<hr/>
Accrued benefit liability included in accounts payable and accrued liabilities	1,901	1,870
	<hr/>	<hr/>

The expense related to CAMH's non-pension, post-employment defined benefit plans consists of the following:

	<b>2018</b>	<b>2017</b>
	\$	\$
Current period benefit cost	105	150
Amortization of actuarial (gain) loss	(24)	21
Interest expense	47	62
	<hr/>	<hr/>
	128	233
	<hr/>	<hr/>

The significant actuarial assumptions adopted in measuring CAMH's accrued benefit obligation and benefit expense are as follows:

	<b>2018</b>	<b>2017</b>
	%	%
Accrued benefit obligation		
Discount rate	3.10	3.00
Health-care cost trend rate	6.00	6.00
Ultimate health-care cost trend rate	4.50	4.50
Dental cost trend rate	2.75	2.75
Benefit expense		
Discount rate	3.10	3.10
Health-care cost trend rate	6.00	6.00
Ultimate health-care cost trend rate	4.50	4.50

# Centre for Addiction and Mental Health

## Notes to Financial Statements

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Other information about the non-pension, post-employment defined benefit plans is as follows:

	2018	2017
	\$	\$
Employer contributions	97	125
Benefits paid	97	125

### 9 Affiliated entity

CAMH Foundation is an independent corporation incorporated without share capital under the laws of the Province of Ontario and is a charitable organization registered under the Income Tax Act (Canada). The Foundation has its own Board of Directors and is responsible for all fundraising activities carried out on behalf of CAMH and provides grants in support of CAMH priorities. The accounts of the Foundation are not included in these financial statements.

The Foundation granted \$15.1 million (2017 - \$16.7 million) to fund capital projects, research projects and other operating activities. The balance due from the Foundation of \$12.8 million (2017 - \$9.6 million) is comprised of grants receivable and reimbursement of operating expenses paid by CAMH on behalf of the Foundation. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by both parties.

### 10 Interfund transfer

During the year, the Board of Trustees approved a net transfer of \$5.6 million (2017 - \$5.3 million) from unrestricted to internally restricted net assets.

### 11 Contingencies

- i) From time to time, CAMH is named in lawsuits related to its activities. Where the potential liability can be estimated management believes that the ultimate resolution will not have a material effect on the financial statements. In other cases, due to stage of the claim, it is not possible to estimate the possible financial liability. Accordingly, no material provisions have been made for loss in these financial statements.
- ii) CAMH is a member in the Healthcare Insurance Reciprocal of Canada (HIROC). HIROC is a pooling of the public liability insurance risks of its hospital members. All members of the HIROC pool pay annual premiums, which are actuarially determined. All members are subject to assessment for losses, if any, experienced by the pool for the years in which they were members. No assessments have been made for the year ended March 31, 2018.

# Centre for Addiction and Mental Health

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(in thousands of dollars, except where otherwise noted)

Since its inception in 1987, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income, less the obligation for claims reserves and expenses and operating expenses. Each subscriber that has an excess of premiums plus investment income over the obligation for its allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of its share of the unappropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There is no distribution receivable from HIROC as at March 31, 2018.

### 12 Commitments

Future minimum annual lease payments for the downtown properties and the community offices are as follows:

	\$
2019	3,562
2020	3,236
2021	2,704
2022	2,500
2023	2,309
Thereafter	<u>33,779</u>
	<u>48,090</u>

In addition to minimum rentals, property leases generally provide for the payment of various operating costs.

For commitments related to redevelopment see note 3(b).

### 13 Financial instruments

CAMH's financial instruments consist of cash, restricted cash, accounts receivable, investments, long-term receivable, accounts payable and accrued liabilities and long-term payable.

CAMH's financial instruments are measured as follows:

<b>Assets/liabilities</b>	<b>Measurement category</b>
Cash	fair value
Restricted cash	fair value
Accounts receivable	amortized cost
Due from Ministry of Health and Long-Term Care, Redevelopment Project	amortized cost
Investments	fair value/amortized cost
Long-term receivable	amortized cost
Accounts payable and accrued liabilities	amortized cost
Long-term payable	amortized cost

# Centre for Addiction and Mental Health

## Notes to Financial Statements

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### **Fair value measurement**

The following classification system is used to describe the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - market based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Short-term notes were measured as Level 1 financial instruments and pooled funds were measured as Level 2 financial instruments.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

### **Risk management**

CAMH is exposed to a variety of financial risks, including market risk, interest rate risk, credit risk and liquidity risk. CAMH's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on CAMH's financial performance.

- Market risk

CAMH is exposed to market risk through the fluctuation of financial instrument fair values due to changes in market prices. The significant market risk to which CAMH is exposed is interest rate risk.

- Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income investments and the long-term payable held by CAMH. A change in the interest rate would have no impact on the financial statements since the fixed income investments are measured at amortized cost and the long-term payable has a fixed rate as described in note 3.

- Credit risk

CAMH is exposed to credit risk in the event of non-payment by patients for non-insured services and services provided to non-resident patients. The risk is common to hospitals such as CAMH as they are required to provide care for patients regardless of the patients' ability to pay for services provided. Patient receivables are \$0.37 million as at March 31, 2018.

# Centre for Addiction and Mental Health

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- Liquidity risk

Liquidity risk is the risk CAMH will not be able to meet its financial obligations when they come due. CAMH derives a significant portion of its operating revenue from the MOHLTC/TCLHIN with no firm commitment of funding in future years. CAMH manages its liquidity risk by forecasting cash flows from operations and anticipating investing and financing activities and maintaining credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements. CAMH will enter into debt agreements to assist with the financing of capital assets when other sources are not available.

### 14 Comparative financial statements

Certain comparative amounts have been restated to correspond to the current year's presentation. In particular, CAMH changed its policy for presenting net assets and is now presenting net investment in capital assets.