

# **Centre for Addiction and Mental Health Foundation**

Financial Statements  
**March 31, 2016**



June 27, 2016

## **Independent Auditor's Report**

### **To the Members of Centre for Addiction and Mental Health Foundation**

We have audited the accompanying financial statements of Centre for Addiction and Mental Health Foundation, which comprise the statement of financial position as at March 31, 2016 and the statements of income, expenses and changes in fund balances 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 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 audit opinion.

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**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Centre for Addiction and Mental Health Foundation as at March 31, 2016 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.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

# Centre for Addiction and Mental Health Foundation

## Statement of Financial Position

As at March 31, 2016

	2016 \$	2015 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	4,110,094	5,556,486
Accounts receivable	76,670	123,319
Prepaid expenses	172,803	72,369
	<u>4,359,567</u>	<u>5,752,174</u>
<b>Investments</b> (note 3)	92,330,923	76,281,657
<b>Capital assets</b> (note 4)	<u>88,251</u>	<u>93,547</u>
	<u>96,778,741</u>	<u>82,127,378</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	444,128	389,355
Due to the Centre for Addiction and Mental Health (note 9(b))	10,170,835	7,514,922
Deferred revenue	855,315	753,088
	<u>11,470,278</u>	<u>8,657,365</u>
<b>Fund Balances</b>		
<b>Unrestricted</b>	7,651,769	4,905,526
<b>Restricted</b> (note 5)	51,567,124	54,017,019
<b>Endowed</b> (note 6)	<u>26,089,570</u>	<u>14,547,468</u>
	<u>85,308,463</u>	<u>73,470,013</u>
	<u>96,778,741</u>	<u>82,127,378</u>

Approved by the Board of Directors



Director



Director

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

# Centre for Addiction and Mental Health Foundation

## Statement of Income, Expenses and Changes in Fund Balances

For the year ended March 31, 2016

	Unrestricted fund		Restricted fund		Endowed fund		Total	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
<b>Income</b>								
Donations (note 9(c))	16,572,110	4,660,158	18,156,259	19,526,199	1,202,000	1,202,000	35,930,369	25,388,357
Bequests	219,056	46,085	7,163	8,923	-	-	226,219	55,008
Special events	2,154,021	1,456,473	226,260	232,602	-	-	2,380,281	1,689,075
	18,945,187	6,162,716	18,389,682	19,767,724	1,202,000	1,202,000	38,536,869	27,132,440
Investment income (loss) - net (note 6(c))	(61,533)	3,645,263	555,359	547,624	(777,343)	808,968	(283,517)	5,001,855
	18,883,654	9,807,979	18,945,041	20,315,348	424,657	2,010,968	38,253,352	32,134,295
<b>Expenses</b>								
Fundraising and administration	9,368,541	7,284,996	-	-	-	-	9,368,541	7,284,996
Special events	1,146,401	881,156	-	-	-	-	1,146,401	881,156
	10,514,942	8,166,152	-	-	-	-	10,514,942	8,166,152
<b>Excess of income over expenses before grants</b>	8,368,712	1,641,827	18,945,041	20,315,348	424,657	2,010,968	27,738,410	23,968,143
<b>Grants to the Centre for Addiction and Mental Health (note 7(a))</b>	102,885	181,951	15,377,551	10,802,497	-	-	15,480,436	10,984,448
<b>Grants to other qualified donees (note 7(b))</b>	-	-	419,524	272,169	-	-	419,524	272,169
<b>Excess of income over expenses for the year</b>	8,265,827	1,459,876	3,147,966	9,240,682	424,657	2,010,968	11,838,450	12,711,526
<b>Fund balances - Beginning of year</b>	4,905,526	3,175,139	54,017,019	45,141,204	14,547,468	12,442,144	73,470,013	60,758,487
<b>Interfund transfers (note 8)</b>	(5,519,584)	270,511	(5,597,861)	(364,867)	11,117,445	94,356	-	-
<b>Fund balances - End of year</b>	7,651,769	4,905,526	51,567,124	54,017,019	26,089,570	14,547,468	85,308,463	73,470,013

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

# Centre for Addiction and Mental Health Foundation

## Statement of Cash Flows

For the year ended March 31, 2016

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	2016 \$	2015 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of income over expenses for the year	11,838,450	12,711,526
Items not involving cash		
Amortization of capital assets	45,746	65,957
Donation of shares in private company	(11,038,950)	-
Fair value change in foreign currency derivative	(98,552)	-
Reinvested investment income	(198,906)	(4,941,775)
Net changes in non-cash working capital balances relating to operations		
Accounts receivable	46,649	(38,868)
Prepaid expenses	(100,434)	79,350
Accounts payable and accrued liabilities	54,773	(153,791)
Due to the Centre for Addiction and Mental Health	2,655,913	3,594,872
Deferred revenue	102,227	266,088
	<hr/> 3,306,916	<hr/> 11,583,359
<b>Investing activities</b>		
Purchase of investments - net	(4,712,858)	(12,738,000)
Additions to capital assets	(40,450)	(35,552)
	<hr/> (4,753,308)	<hr/> (12,773,552)
<b>Decrease in cash during the year</b>	(1,446,392)	(1,190,193)
<b>Cash - Beginning of year</b>	<hr/> 5,556,486	<hr/> 6,746,679
<b>Cash - End of year</b>	<hr/> <hr/> 4,110,094	<hr/> <hr/> 5,556,486

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

# Centre for Addiction and Mental Health Foundation

## Notes to Financial Statements

March 31, 2016

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### 1 Purpose of the organization

The Centre for Addiction and Mental Health Foundation (the Foundation) was incorporated under the laws of Ontario in 1986 to raise funds in support of the Centre for Addiction and Mental Health (CAMH), either alone or in cooperation or conjunction with others.

The Foundation is a charitable foundation registered under the Income Tax Act (Canada) and, as such, is exempt from income taxes and able to issue receipts for income tax purposes that are eligible for a non-refundable tax credit by an individual donor and a tax deduction by a corporate donor.

### 2 Summary of significant accounting policies

These financial statements are prepared in accordance with Part III of the Chartered Professional Accountants of Canada Handbook - Accounting, which sets out accounting standards for not-for-profit organizations in Canada (ASNPO) and includes the significant accounting policies summarized below.

#### Fund accounting

The Foundation follows the restricted fund method of accounting for contributions, which include grants, bequests and other donations. The Foundation ensures, as part of its fiduciary responsibility, that all funds received with a restricted purpose are expended in accordance with the purpose intended.

For the purpose of financial reporting, the accounts have been classified into one of three funds.

- Unrestricted fund

The unrestricted fund accounts for the Foundation's general fundraising, granting and administrative activities and represents unrestricted resources available for immediate use. The unrestricted fund allows for a transfer from the restricted fund that is a reinvestment in foundation support. The unrestricted fund is used to support the Foundation's operations and make grants to CAMH for the highest priority needs of CAMH.

- Restricted fund

The restricted fund includes those funds that are to be used for purposes as specified by the donor or as stipulated in the fundraising appeal. The board of directors may also internally restrict funds, a restriction that may be reversed by the board of directors.

- Endowed fund

The endowed fund includes those funds for which either donor or internal restrictions require the endowment principal be maintained. The board of directors may also internally endow funds, an endowment that may be reversed by the board of directors.

# Centre for Addiction and Mental Health Foundation

## Notes to Financial Statements

March 31, 2016

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### **Revenue recognition**

Grants and bequests are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received. Unrestricted contributions are recognized as revenue in the unrestricted fund in the year received. Donor restricted contributions for specific purposes are recognized as revenue of the restricted fund unless the capital is to be maintained permanently, in which case the contributions are recognized as revenue of the endowed fund.

The Foundation recognizes revenue for special events, other than donations, when earned.

Investment income (loss) consists of interest, dividends, income distributions from pooled funds and fair value changes in investments. Investment income earned on the endowed fund or restricted fund resources that must be spent on donor-restricted activities is recognized as revenue of the restricted fund. Investment income subject to donor restrictions stipulating that it be added to the endowment is recognized as revenue of the endowed fund. Unrestricted investment income earned on the endowed fund, restricted fund and unrestricted fund resources is recognized as revenue of the unrestricted fund. Investment losses are allocated in a manner consistent with investment income.

### **Grants**

Grants are recorded when approved and the grantee has met all terms and conditions.

### **Financial instruments**

Investments are recorded at fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Other financial instruments, including accounts receivable and accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

### **Derivatives**

The Foundation enters into forward foreign exchange contracts in order to manage its foreign currency exposure in its investment portfolio. The derivative contracts are measured at fair value until they are settled. The change in fair value of the derivatives is recorded in investment income (loss) in the statement of income, expenses and changes in fund balances.

### **Foreign currency translation**

Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at the transaction date. Investments and other monetary items denominated in foreign currencies are translated at the year-end rate. Translation gains and losses are included in the statement of income, expenses and changes in fund balances.



# Centre for Addiction and Mental Health Foundation

## Notes to Financial Statements

March 31, 2016

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### Contributed goods and services

Contributions of capital assets, goods and services that can be reliably valued and are for the use of CAMH are recognized in the financial statements.

### Pension funds

The employees of the Foundation are eligible to be members of the Healthcare of Ontario Pension Plan, which is a multi-employer final average pay contributory pension plan. The plan is accounted for as a defined contribution plan.

### Capital assets

Purchased capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Equipment and furniture	5 years
Software	4 years

### Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

## 3 Investments

Investments consist of the following:

	2016	2015
	\$	\$
Cash	357,095	-
Canadian Money Market Fund	10,071,730	6,010,315
Canadian Fixed Income Fund	46,836,100	50,633,946
International Fixed Income Fund	4,143,851	-
Canadian Equity Fund	7,673,308	8,793,388
US Equity Fund	6,973,984	5,404,595
International Equity Fund	5,137,353	5,439,413
	<hr/>	<hr/>
	81,193,421	76,281,657
Shares in private company	11,038,950	-
Foreign currency derivative	98,552	-
	<hr/>	<hr/>
	92,330,923	76,281,657

# Centre for Addiction and Mental Health Foundation

## Notes to Financial Statements

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The investments held for the endowed fund have the following mix: equities - 54% (2015 - 56%) and bonds - 46% (2015 - 44%).

During the year the Foundation received a gift of shares in a private US based company valued at US\$8.5 million.

The Foundation has entered into a forward foreign exchange contract with a Canadian chartered bank to mitigate its exposure to fluctuations in foreign exchange in its investment portfolio. The contract allows the Foundation to sell US \$2,630,030 on June 13, 2016 at an exchange rate of 1.33015. The fair market value of the contract at March 31, 2016 is a gain of \$98,552.

### 4 Capital assets

Capital assets consist of the following:

			2016	2015
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Equipment and furniture	152,588	102,214	50,374	55,104
Software	58,296	20,419	37,877	38,443
	210,884	122,633	88,251	93,547

### 5 Restricted fund

The major categories of the restricted fund balance, identifying the purpose for which they will be used, are as follows:

	2016 \$	2015 \$
Externally restricted		
Redevelopment and related properties	11,246,509	10,682,637
Research	22,900,365	24,828,240
Programs	17,406,958	18,458,880
	51,553,832	53,969,757
Board designated	13,292	47,262
	51,567,124	54,017,019

# Centre for Addiction and Mental Health Foundation

## Notes to Financial Statements

March 31, 2016

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### 6 Endowed fund

- a) Major categories of the endowed fund balance are as follows:

	2016 \$	2015 \$
Funds externally restricted for endowment purposes, income from which must be used for a restricted purpose	13,732,055	13,164,897
Externally restricted funds limited for endowment purposes by the Board of Directors	1,318,565	1,382,571
Unrestricted funds restricted for endowment purposes by the Board of Directors	11,038,950	-
	<u>26,089,570</u>	<u>14,547,468</u>

- b) The Foundation has a policy designed to protect the real value of endowments by limiting the amount of investment income made available for spending and requiring the reinvestment of income not made available. The amount currently made available for spending is 3.5%.

The preservation of capital (i.e. any excess investment income earned above the amount made available for spending) is recorded as revenue of the endowed fund for externally endowed funds. For board endowed unrestricted funds, the preservation of capital is recorded as income of the unrestricted fund and transferred to the endowed fund in the statement of income, expenses and changes in fund balances. For board-endowed restricted funds, the preservation of capital is recorded as income of the restricted fund and transferred to the endowed fund in the statement of income, expenses and changes in fund balances. In any year, should net investment income not be sufficient to fund the spending amount calculated in accordance with the Foundation's policy, an amount is transferred to the restricted and unrestricted funds.

- c) Investment loss of \$189,686 (2015 - income of \$1,303,799) was recognized on investments held for the endowed fund. A charge of \$698,847 (2015 - income of \$903,324) was allocated for preservation of capital. Of this amount, \$632,842 (2015 - \$808,968) relating to externally endowed funds was recorded as investment income in the endowed fund and \$(66,005) (2015 - \$94,356) relating to board endowed restricted funds was recorded as investment income in the restricted fund. An amount equal to the preservation of capital recorded in the restricted fund and unrestricted fund was transferred to the endowed fund. The amount of \$509,161 (2015 - \$400,475) made available for spending calculated in accordance with the Foundation's endowed fund policy was recorded as investment income in the unrestricted and restricted funds.

# Centre for Addiction and Mental Health Foundation

## Notes to Financial Statements

March 31, 2016

### 7 Grants

a) During the year, the Foundation funded projects at CAMH in the following categories:

	Unrestricted fund		Restricted fund	
	2016 \$	2015 \$	2016 \$	2015 \$
Education Programs	-	-	830,540	493,191
Public awareness	9,766	33,500	1,555,815	1,090,840
Research	76,774	55,482	-	-
Redevelopment projects	16,345	68,969	9,448,192	5,936,416
Other	-	-	3,543,004	3,282,050
	-	24,000	-	-
	102,885	181,951	15,377,551	10,802,497

b) Grants to other qualified donees amounted to \$419,524 (2015 - \$272,169). Grants to other qualified donees included grants to the Hospital for Sick Children Foundation to support child and youth mental health priorities undertaken in collaboration with CAMH; to the Women's College Hospital Foundation to support women's mental health research and to the Toronto Homeless Youth Transitions Collaborative to develop a strategy to support youth exiting homelessness.

### 8 Interfund transfers

Transfers between funds consist of the following:

	Unrestricted fund		Restricted fund		Endowed fund	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
Board and donor approved re: fund restrictions	(11,183,450)	-	-	-	11,183,450	-
Reinvestment in Foundation support in accordance with board policy (note 2)	5,663,866	270,511	(5,663,866)	(270,511)	-	-
Allocation of investment income in accordance with board policy (note 6(c))	-	-	66,005	(94,356)	(66,005)	94,356
	(5,519,584)	270,511	(5,597,861)	(364,867)	11,117,445	94,356

# Centre for Addiction and Mental Health Foundation

## Notes to Financial Statements

March 31, 2016

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### 9 Related party transactions

- a) CAMH is an independent corporation without share capital and has an independent board of directors. CAMH is affiliated with the Foundation as a result of common board members between the two organizations. CAMH provides certain services to the Foundation and pays some expenses on behalf of the Foundation. CAMH also provides payroll processing and charged the Foundation for employee costs in the amount of \$5,391,951 (2015 - \$5,021,653).
- b) The amount due to CAMH is payable on demand, is non-interest bearing and consists of two components: grants that have not been disbursed to CAMH and operating expenses incurred by the Foundation that have not been repaid to CAMH.
- c) Contributed capital assets, goods and services with a value of \$153,738 (2015 - \$231,530) are included in donations revenue and grants to CAMH.

### 10 Financial instruments

The Foundation is subject to market, currency, interest rate and credit risks with respect to its financial instruments.

#### Market risk

Market risk arises as a result of trading in equity securities and fixed income securities. Fluctuations in the market expose the Foundation to a risk of loss. To manage this risk, the Foundation has an investment policy and invests in a diverse portfolio, including pooled funds representing a mix of local and international securities.

#### Currency risk

Currency risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation's investments include non-Canadian equities, the value of which fluctuates in part due to changes in foreign exchange rates.

#### Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by the Foundation. The short-term interest bearing investments held by the Foundation have a limited exposure to interest rate risk due to their short-term maturities.

#### Credit risk

The Foundation's amounts receivable consist solely of Canadian Harmonized Sales Tax, recoverable from the Canada Revenue Agency. The Foundation considers its credit risk to be minimal given that the amounts are due from the Canadian government.