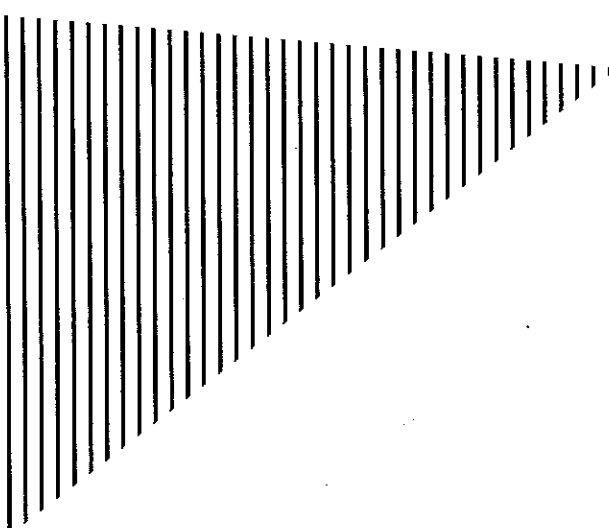


Financial Statements

Centre for Addiction and Mental Health

March 31, 2012



INDEPENDENT AUDITORS' REPORT

To the Trustees of the
Centre for Addiction and Mental Health

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the **Centre for Addiction and Mental Health**, which comprise the balance sheets as at March 31, 2012 and 2011, and April 1, 2010, and the statements of operations and changes in unrestricted net assets, changes in net assets and cash flows for the years ended March 31, 2012 and 2011, 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 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 auditors consider 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Centre for Addiction and Mental Health** as at March 31, 2012 and 2011, and April 1, 2010 and the results of its operations and its cash flows for the years ended March 31, 2012 and 2011 in accordance with Canadian public sector accounting standards.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Corporations Act (Ontario), we report that, in our opinion, the accounting principles in Canadian public sector accounting standards have been applied on a consistent basis.

Toronto, Canada,
May 24, 2012.

Ernst + Young LLP

Chartered Accountants
Licensed Public Accountants

Centre for Addiction and Mental Health

BALANCE SHEETS

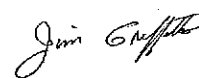
	As at March 31, 2012 \$	As at March 31, 2011 \$	As at April 1, 2010 \$
ASSETS			
Current			
Cash and cash equivalents <i>[note 3]</i>	40,484,734	24,353,472	29,858,070
Cash held in trust <i>[note 4]</i>	95,475	72,568	73,742
Restricted cash <i>[note 6]</i>	16,152,918	—	—
Accounts receivable <i>[note 5]</i>	139,453,796	29,427,033	20,178,853
Inventories	1,117,660	1,349,604	1,459,767
Prepaid expenses	9,593,342	6,227,309	1,467,066
Total current assets	206,897,925	61,429,986	53,037,498
Restricted cash <i>[note 6]</i>	9,414,316	4,600,000	4,600,000
Long-term receivable <i>[notes 5 and 6]</i>	99,881,777	136,867,654	27,270,960
Investments <i>[note 3]</i>	66,945,690	69,249,224	55,894,812
Capital assets, net <i>[note 6]</i>	361,925,180	259,074,701	135,640,742
	745,064,888	531,221,565	276,444,012
LIABILITIES AND NET ASSETS			
Current			
Accounts payable and accrued liabilities <i>[notes 6 and 9]</i>	67,459,579	61,357,418	52,963,756
Current portion of long-term payable <i>[note 6]</i>	139,342,880	—	—
Patients' trust accounts <i>[note 4]</i>	95,475	72,568	73,742
Total current liabilities	206,897,934	61,429,986	53,037,498
Deferred contributions related to research funds <i>[note 8[a]]</i>	25,893,839	21,945,244	16,931,926
Other deferred contributions <i>[note 8[b]]</i>	4,252,443	4,551,093	1,633,715
Long-term payable <i>[note 6]</i>	104,715,461	136,867,654	27,270,960
Deferred capital contributions <i>[note 7]</i>	339,663,415	250,589,892	128,542,721
Total liabilities	681,423,092	475,383,869	227,416,820
Contingencies and commitments <i>[notes 11 and 12]</i>			
Net assets			
Internally restricted <i>[note 13]</i>	63,615,169	55,811,069	49,000,565
Unrestricted	—	—	—
Endowment	26,627	26,627	26,627
Total net assets	63,641,796	55,837,696	49,027,192
	745,064,888	531,221,565	276,444,012

See accompanying notes

Approved by the Board:



T. Daniel Burns, Trustee



Jim Griffiths, Trustee

Centre for Addiction and Mental Health

**STATEMENTS OF OPERATIONS
AND CHANGES IN UNRESTRICTED NET ASSETS**

Years ended March 31

	2012	2011
	\$	\$
REVENUE		
Ministry of Health and Long-Term Care/Toronto Central		
Local Health Integration Network grants	265,460,645	253,441,326
Patient revenue	922,198	1,369,121
Other grants	35,481,709	27,348,905
Ancillary and other	21,524,799	21,128,233
Amortization of deferred capital contributions	7,539,438	5,636,258
Investment income	1,056,930	1,079,411
	331,985,719	310,003,254
EXPENSES		
Salaries, wages and employee benefits <i>[notes 8[a] and 9]</i>	246,720,363	232,351,148
Supplies and other <i>[notes 6 and 8[a]]</i>	58,483,768	53,910,933
Depreciation	11,180,522	9,228,831
Rent	4,099,515	4,166,035
Drugs and medical supplies	3,560,927	3,051,388
Medical and surgical <i>[note 8[a]]</i>	478,089	484,415
	324,523,184	303,192,750
Excess of revenue over expenses for the year	7,462,535	6,810,504
Unrestricted net assets, beginning of year	—	—
Transfer to internally restricted net assets <i>[note 13]</i>	(7,462,535)	(6,810,504)
Unrestricted net assets, end of year	—	—

See accompanying notes

Centre for Addiction and Mental Health

STATEMENTS OF CHANGES IN NET ASSETS

Years ended March 31

	2012			2011		
	Internally restricted	Unrestricted	Endowment	Internally restricted	Unrestricted	Endowment
	\$	\$	\$	\$	\$	\$
Net assets, beginning of year, as originally stated	55,811,069	—	26,627	55,837,696	—	49,027,192
Adjustment [note 2]	341,565	—	—	341,565	—	—
Net assets, beginning of year, as restated	56,152,634	—	26,627	56,179,261	—	49,027,192
Excess of revenue over expenses for the year	—	7,462,535	—	7,462,535	—	6,810,504
Interfund transfer [note 13]	7,462,535	(7,462,535)	—	—	—	—
Net assets, end of year	63,615,169	—	26,627	63,641,796	—	55,837,696

See accompanying notes

Centre for Addiction and Mental Health

STATEMENTS OF CASH FLOWS

Years ended March 31

	2012 \$	2011 \$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	7,462,535	6,810,504
Add (deduct) items not affecting cash		
Depreciation	11,180,522	9,228,831
Amortization of deferred capital contributions	(7,539,438)	(5,636,258)
Amortization of premium on investment in bonds	656,956	1,089,245
	<u>11,760,575</u>	<u>11,492,322</u>
Net change in non-cash working capital balances	1,572,008	(5,504,598)
Net change in deferred contributions		
related to research funds	3,948,595	5,013,318
Net change in other deferred contributions	(298,650)	2,917,378
Cash provided by operating activities	<u>16,982,528</u>	<u>13,918,420</u>
INVESTING ACTIVITIES		
Increase in long-term restricted cash	(4,814,316)	—
Withdrawals from (purchases of) investments, net	1,988,143	(14,443,657)
Cash used in investing activities	<u>(2,826,173)</u>	<u>(14,443,657)</u>
FINANCING ACTIVITIES		
Contributions restricted for capital purposes	8,815,221	18,086,735
Cash provided by financing activities	<u>8,815,221</u>	<u>18,086,735</u>
CAPITAL ACTIVITIES		
Purchase of capital assets	(6,840,314)	(23,096,606)
Proceeds from sale of capital assets	—	30,510
Cash used in capital activities	<u>(6,840,314)</u>	<u>(23,066,096)</u>
Net increase (decrease) in cash and cash equivalents		
during the year	16,131,262	(5,504,598)
Cash and cash equivalents, beginning of year	24,353,472	29,858,070
Cash and cash equivalents, end of year	<u>40,484,734</u>	<u>24,353,472</u>
Supplemental cash flow information		
Capital asset purchases funded by liabilities	86,099,181	109,596,694
Contributions receivable related to capital asset purchases	81,265,497	109,596,694

See accompanying notes

Centre for Addiction and Mental Health

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

1. INCORPORATION

The Centre for Addiction and Mental Health ["CAMH"] is a hospital located on four primary sites in Toronto, with regional programs throughout the Province of Ontario. CAMH is dedicated to providing clinical care, research, education and policy and health promotion in connection with addiction and mental health. CAMH was incorporated by Letters Patent of Amalgamation under the Corporations Act (Ontario) without share capital on January 23, 1998. CAMH is also a charitable organization registered under 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 Hospital Act (Ontario).

2. SIGNIFICANT ACCOUNTING POLICIES AND FIRST-TIME ADOPTION OF ACCOUNTING STANDARDS FOR GOVERNMENT NOT-FOR-PROFIT ORGANIZATIONS

A. SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with the Public Sector Accounting Handbook which sets out generally accepted accounting principles for government not-for-profit organizations in Canada and includes the significant accounting policies described 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 [the "Foundation"], a non-controlled affiliated entity [note 10]. Management has prepared the financial statements in accordance with Canadian public sector accounting standards.

Use of estimates

The preparation of financial statements 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

In particular, the amount of revenue recognized from the Ministry of Health and Long-Term Care [the "MOH-LTC"] and the Toronto Central Local Health Integration Network [the "TC-LHIN"] is a significant estimate. CAMH entered into various accountability agreements with the TC-LHIN that set out the rights and obligations of both parties in respect of funding provided to CAMH by the TC-LHIN and the MOH-LTC covering fiscal 2012 and 2011.

Centre for Addiction and Mental Health

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

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, the TC-LHIN and/or the MOH-LTC have the right to adjust funding received by CAMH. The TC-LHIN and the MOH-LTC are not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after the completion of the financial statements, the amount of funding received during the year from the TC-LHIN and the MOH-LTC may be increased or decreased subsequent to year end. The amount of revenue recognized in these financial statements represents management's best estimate of amounts that have been earned during the year.

Revenue recognition

CAMH follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions, for purposes other than endowment, are deferred and recognized in the year in which the related expenses are recognized.

Endowment contributions are recognized as direct increases in net assets.

Contributions externally restricted for capital assets are recorded as deferred capital contributions and are amortized to operations on the same basis as the related asset is depreciated, except for restricted contributions for the purchase of land, which are recorded as increases in net assets.

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

Cash and cash equivalents

Cash and cash equivalents include cash on deposit, money market funds and short-term securities with original terms of maturity of less than 90 days.

Investments and investment income

Publicly-traded equities are valued at fair value based on the latest bid prices. Short-term securities are valued based on cost plus accrued income. Bonds are valued based on amortized cost using the effective interest rate method. Transactions are recorded on a trade-date basis. Transaction costs are expensed as incurred for investments reported at fair value and added to the cost of investments valued at cost or amortized cost.

Unrestricted interest and realized gains (losses) are recorded as investment income in the statement of operations and changes in unrestricted net assets. Restricted interest and realized gains (losses)

Centre for Addiction and Mental Health

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

are recognized as revenue in the year in which the related expenses are recognized. Any change in unrealized gains and losses related to investments reported at fair value is recorded in a statement of remeasurement gains and losses.

Inventories

Inventories are valued at the lower of average cost and replacement cost.

Capital assets

Purchased capital assets are recorded at cost less accumulated depreciation. Contributed capital assets are recorded at fair value at the date of contribution and are depreciated. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	20 - 40 years
Equipment and furniture	5 - 15 years

Contributed materials and services

Because of the difficulty in determining the fair value of volunteers' services, contributed services are not recognized in the financial statements. Contributed materials are also not recognized in these financial statements.

Employee benefit plans

Contributions to multi-employer defined benefit pension plans are expensed when due.

Certain employees of CAMH are entitled to post-employment benefits that are accounted for as a defined benefit plan. The cost of post-employment benefits is determined using the projected benefit method pro-rated on service and management's best estimate assumptions with respect to retirement age of employees and health-care costs. The discount rate used to determine the accrued benefit obligation was determined by reference to the Province of Ontario's cost of borrowing. Actuarial gains and losses are amortized over the average remaining service period of active employees. Past service costs are expensed when incurred.

B. FIRST-TIME ADOPTION OF ACCOUNTING STANDARDS FOR GOVERNMENT NOT-FOR-PROFIT ORGANIZATIONS

These financial statements are the first financial statements which CAMH has prepared in accordance with the Public Sector Handbook, which constitutes generally accepted accounting principles for government not-for-profit organizations in Canada ["GAAP"]. CAMH has chosen

Centre for Addiction and Mental Health

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

to use the standards for government not-for-profit organizations that include Section PS 4200 to PS 4270. In preparing its opening balance sheet as at April 1, 2010 [the "Transition Date"], CAMH has applied PS 2125: *First-time Adoption by Government Organizations*.

The accounting policies that CAMH has used in the preparation of its opening balance sheet did not result in any adjustments to balances which were presented in the balance sheet as at the Transition Date or excess of revenue over expenses for the year ended March 31, 2011 prepared in accordance with Part V of the CICA Handbook – Accounting ["Previous GAAP"]. CAMH has not elected to use any exemptions available upon transition.

CAMH has chosen to early adopt the accounting standards in PS 3450, *Financial Instruments*. These standards have not been applied retroactively since this standard specifically prohibits retroactive application. The impact of adopting these standards was to increase both investments and internally restricted net assets by \$341,565 as at April 1, 2010, representing the cumulative unrealized losses related to the bonds.

3. INVESTMENTS

Investments consist of the following:

	March 31, 2012 \$	March 31, 2011 \$	April 1, 2010 \$
Cash and cash equivalents	22,992,885	18,422,630	5,979,101
Short-term notes	29,731,705	14,088,061	12,499,413
Bonds	14,221,100	36,738,533	37,416,298
	66,945,690	69,249,224	55,894,812

An amount of cash and cash equivalents is recorded as investments so that the total is equal to deferred contributions related to research funds [note 8[a]], other deferred contributions [note 8[b]], unspent deferred capital contributions not included in restricted cash [note 7], endowment net assets and internally restricted net assets, excluding the amount related to internally funded capital assets.

The net change in the unrealized gain related to the bonds of \$41,483 for the year ended March 31, 2011 was recorded in the statement of changes in net assets.

As at March 31, 2012, bonds have an average term to maturity of 0.40 years [March 31, 2011 - 1.16 years; April 1, 2010 - 2.37 years] and an average yield of 1.24% [March 31, 2011 - 1.51%; April 1, 2010 - 1.88%] based on market values and short-term notes have an average term to

Centre for Addiction and Mental Health

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

maturity of 0.09 years [March 31, 2011 - 0.01 years; April 1, 2010 - 0.31 years] and an average yield of 0.94% [March 31, 2011 - 1.04%; April 1, 2010 - 0.46%].

Investments are exposed to credit and interest rate risks. To manage credit risk, CAMH has established an investment policy with limits related to the credit rating of issuers.

4. CASH HELD IN TRUST

CAMH manages the monies of its patients and former patients received from the Ministry of the Attorney General pursuant to a custodial and trust arrangement. The cash held in trust is offset by a corresponding liability.

5. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	March 31, 2012 \$	March 31, 2011 \$	April 1, 2010 \$
MOH-LTC/TC-LHIN			
Redevelopment [note 6]	218,739,275	137,813,441	31,069,484
Other	3,482,535	4,145,087	761,474
Patients	168,152	146,934	232,876
Research related	1,862,406	1,791,938	1,741,046
Centre for Addiction and Mental Health Foundation [note 10]			
Redevelopment [note 6]	7,796,233	15,504,070	8,961,785
Other	1,515,937	1,481,547	1,436,838
Other	5,771,035	5,411,670	3,246,310
	239,335,573	166,294,687	47,449,813
Less long-term portion [note 6[d]]	99,881,777	136,867,654	27,270,960
	139,453,796	29,427,033	20,178,853

Centre for Addiction and Mental Health

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

6. CAPITAL ASSETS

[a] Capital assets consist of the following:

	March 31, 2012		
	Cost \$	Accumulated depreciation \$	Net book value \$
Land	9,485,465	—	9,485,465
Buildings	37,579,360	16,294,379	21,284,981
Equipment and furniture	63,685,633	54,597,443	9,088,190
Site redevelopment			
Buildings	68,336,827	11,838,029	56,498,798
Equipment and furniture	15,779,953	2,553,244	13,226,709
Construction in progress	252,341,037	—	252,341,037
	447,208,275	85,283,095	361,925,180

	March 31, 2011		
	Cost \$	Accumulated depreciation \$	Net book value \$
Land	9,485,465	—	9,485,465
Buildings	37,134,763	14,766,710	22,368,053
Equipment and furniture	61,976,028	50,791,861	11,184,167
Site redevelopment			
Buildings	51,468,236	7,571,452	43,896,784
Equipment and furniture	5,134,866	972,557	4,162,309
Construction in progress	167,977,923	—	167,977,923
	333,177,281	74,102,580	259,074,701

Centre for Addiction and Mental Health

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

	April 1, 2010		
	Cost	Accumulated depreciation	Net book value
	\$	\$	\$
Land	9,485,465	—	9,485,465
Buildings	36,266,592	13,272,956	22,993,636
Equipment and furniture	58,269,430	47,247,587	11,021,843
Site redevelopment			
Buildings	50,302,547	3,708,503	46,594,044
Equipment and furniture	2,032,410	614,187	1,418,223
Construction in progress	44,127,531	—	44,127,531
	200,483,975	64,843,233	135,640,742

- [b] 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, centered on the concept of an urban village [the "Project"]. CAMH intends to consolidate a substantial part of its operations from its four main sites into a new redeveloped site which will serve as the central hub for CAMH's programs, services and resources.
- [c] Phase 1A of the Project, which involved the construction of four buildings, alternate milieu and day treatment facilities for clients, had an approved budget of approximately \$35.2 million and was completed slightly below budget with a total cost of \$34.8 million. The buildings were substantially completed on March 14, 2008 and occupied on April 7, 2008. This phase of the Project was funded by the MOH-LTC and the Foundation. As at March 31, 2012, all funding for this phase of the Project has been received except for \$1.3 million [2011 - \$1.3 million] receivable from the MOH-LTC [note 5].
- [d] Phase 1B of the Project involves the preparation for and construction of three additional buildings, the decommissioning and demolition of the Administration Building, and construction of service tunnels, roads and municipal infrastructure. The total revised project budget for Phase 1B of the Project is \$330.8 million based on the final estimate of costs approved by the MOH-LTC. The MOH-LTC has approved a maximum grant of \$290.4 million. Additional funding of \$34.9 million will be received from the Foundation; the balance is to be funded by CAMH through internally generated funds.

The projects related to the preparation for Phase 1B, including the leasing of offsite space to relocate staff and site work, are substantially complete. Costs of \$23.8 million [2011 - \$22.3 million] related to the preparation for Phase 1B have been incurred to date, of which \$18.3 million [2011 - \$18.2 million] have been capitalized and \$5.5 million [2011 - \$4.1 million]

Centre for Addiction and Mental Health

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

have been expensed. As at March 31, 2012, \$21.0 million [2011 - \$19.8 million] of the costs have been funded by the MOH-LTC with the balance funded internally. Of the external funding, \$7.5 million [2011 - \$6.5 million] is recorded as receivable from the MOH-LTC [note 5]. Costs of \$0.9 million are to be incurred over the remaining year related primarily to the leasing of space during the construction period.

In December 2009, CAMH entered into a project agreement with a third party construction company, CHS Partnership ["Project Co"], to design, build, finance and maintain [for a 30-year term] the buildings constructed as part of Phase 1B of the Project. An amount of \$241.3 million before taxes, which is equal to the total costs related to the construction of the buildings, will be paid to Project Co. Additional estimated costs of \$60.4 million will be incurred for planning and design, furniture and equipment and Infrastructure Ontario consulting expenses.

During construction, CAMH retains title to the capital assets being constructed by Project Co. As a result, CAMH records the value of the construction in progress based on the percentage of completion as certified periodically by the architect. As at March 31, 2012, the buildings are approximately 96% [2011 - 51%] complete. Costs totaling \$223.0 million [2011 - \$131.2 million] have been recorded as construction in progress. Based on the payment terms in the project agreement, CAMH has recorded long-term and short-term obligations to Project Co in the amount of \$104.7 million and \$118.3 million, respectively, which total the amount recorded as construction in progress. CAMH has incurred a further \$28.8 million [2011 - \$21.1 million] of other project costs to date which are also included in construction in progress. Of this amount \$11.0 million is recorded in the current portion of the long-term payable. As at March 31, 2012, CAMH has received \$29.5 million from the MOH-LTC and \$17.9 million from the Foundation in connection with the funding of these costs. In addition, a long-term receivable of \$99.2 million [2011 - \$136.9 million] and short-term receivable of \$110.7 million [2011 - nil] from the MOH-LTC have been recorded [note 5]. Also, a long-term receivable of \$0.6 million [2011 - nil] and a short-term receivable of \$1.3 million [2011 - \$1.1 million] from the Foundation have been recorded [note 5]. The amounts received and receivable to date are included in deferred capital contributions [note 7].

CAMH has entered into agreements with Project Co to provide certain maintenance and management services for 30 years after the completion of the buildings. The cost of these services, together with financing costs related to the cost of the construction, is \$309.4 million before taxes. Most of these costs are expected to be funded by the MOH-LTC, either directly or through CAMH's operating budget.

CAMH was originally required to pay Project Co a total of \$550.7 million before taxes related to the construction costs and the costs of maintenance and management services over 30 years. CAMH received a credit of \$7.3 million due to the implementation of the Harmonized Sales Tax which reduced this amount. An amount of \$141.9 million, which was due after the

Centre for Addiction and Mental Health

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

substantial completion date, was paid on May 2, 2012. The balance of \$402.3 million is payable over a period of 30 years, of which \$9.3 million is due during the year ending March 31, 2013.

In accordance with the project agreement with Project Co, CAMH was required to deposit \$4.6 million into a restricted bank account in December 2009 to be used for the procurement of furniture, fixtures and equipment. This amount, which is unspent as at March 31, 2012, is included in long-term restricted cash. The project agreement also required Project Co to deposit \$11.4 million into a restricted bank account for the benefit of the Hospital to fund certain capital costs that are to be incurred by Project Co. The portion of this amount that is unspent as at March 31, 2012 of \$10.0 million is included in short-term restricted cash and the current portion of the long-term payable in the balance sheets since it is to be paid to Project Co in fiscal 2013.

The project agreement requires the Hospital to deposit any cash received to fund amounts due to Project Co in a restricted bank account. As at March 31, 2012, there are funds received in advance of \$6.2 million in current restricted cash and \$4.8 million in long-term restricted cash. The classification is based on whenever the funds are to be used to fund the current or long term amount due to Project Co.

- [c] In addition to Phase 1A and Phase 1B, CAMH is undertaking a project that will provide state-of-the-art infrastructure and equipment to support research activities. The Canada Foundation for Innovation ["CFI"] and Ministry of Research and Innovation ["MRI"] will provide funding of approximately \$16.7 million towards the total estimated project cost of \$40.1 million. Of the remaining balance, the Foundation has committed to provide \$22.0 million. The remaining \$1.4 million will be funded internally by CAMH.

As at March 31, 2012, CAMH had incurred expenditures of \$32 million [2011 - \$19.1 million] which are included in buildings and equipment. As at March 31, 2012, CAMH had received total grants from CFI and MRI of \$12.2 million and \$10.2 million from the Foundation. CAMH has recorded a receivable from the Foundation of \$5.9 million, representing the Foundation's outstanding share of the costs incurred to date. The amounts received and receivable are included in deferred capital contributions [note 7]. CAMH also recorded in-kind contributions of capital assets from various vendors totalling \$1.7 million as at March 31, 2012 [2011 - \$0.9 million].

- [f] Subsequent to year end, CAMH received \$136.5 million from the MOH-LTC representing their share of the substantial completion payment and amounts due to Project Co for the year ending March 31, 2013 to provide certain maintenance and management services. In addition, CAMH received an amount of \$12 million from the Foundation representing their share of the costs related to Phase 1B and the CFI projects.

Centre for Addiction and Mental Health

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

[g] In September 2011, the MOH-LTC advised CAMH that it has approved the Phase 1C Redevelopment Project and that the tendering process can begin in the 2015/16 provincial fiscal year. As at March 31, 2012, CAMH has incurred initial planning and design costs totalling \$4.2 million.

[h] Effective October 1, 2010, CAMH entered into a 50-year lease agreement related to a property on Queen Street. CAMH has received \$2.0 million as advance lease payments which are being amortized over the lease term. As at March 31, 2012, the balance payable included in accounts payable and accrued liabilities was \$1.6 million.

7. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations and changes in unrestricted net assets. The changes in the deferred capital contributions balance are as follows:

	March 31, 2012 \$	March 31, 2011 \$	April 1, 2010 \$
Balance, beginning of year	250,589,892	128,542,721	86,764,277
Less amortization of deferred capital contributions	(7,539,438)	(5,636,258)	(4,729,580)
Add contributions restricted for capital purposes [note 6]	96,612,961	127,683,429	46,508,024
Balance, end of year	339,663,415	250,589,892	128,542,721

Included in the above balances are contributions of \$4,770,222 [March 31, 2011 - \$17,817,641; April 1, 2010 - \$16,762,539] received but not yet used to purchase capital assets [note 3].

Centre for Addiction and Mental Health

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

8. DEFERRED CONTRIBUTIONS

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

	March 31, 2012 \$	March 31, 2011 \$	April 1, 2010 \$
Balance, beginning of year	21,945,244	16,931,926	18,267,048
Amount received during the year	36,063,266	30,180,147	23,369,473
Amount recognized as revenue during the year	(32,114,671)	(25,166,829)	(24,704,595)
Balance, end of year	25,893,839	21,945,244	16,931,926

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

	March 31, 2012 \$	March 31, 2011 \$	April 1, 2010 \$
Salaries, wages and employee benefits	16,833,058	14,205,894	13,894,614
Supplies and other	15,263,658	10,860,211	10,286,892
Medical and surgical	17,955	100,724	523,089
Amount recognized as revenue during the year	32,114,671	25,166,829	24,704,595

[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:

	March 31, 2012 \$	March 31, 2011 \$	April 1, 2010 \$
Balance, beginning of year	4,551,093	1,633,717	1,655,802
Amount received during the year	452,964	3,557,923	1,109,452
Amount recognized as revenue during the year	(751,614)	(640,547)	(1,131,539)
Balance, end of year	4,252,443	4,551,093	1,633,715

Centre for Addiction and Mental Health

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

9. EMPLOYEE BENEFIT PLANS

[a] Multi-employer pension plans

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, contributory pension plan. The Plan is accounted for as a defined contribution plan. CAMH's contributions to HOOPP during the year amounted to \$12,776,301 [2011 - \$11,044,008] and are included in salaries, wages and employee benefits expense in the statements of operations and changes in unrestricted net assets. The most recent actuarial valuation for financial reporting purposes completed by HOOPP as of December 31, 2011 disclosed net assets available for benefits of \$40,321 million with pension obligations of \$36,782 million, resulting in a surplus of \$3,539 million.

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. CAMH's contributions to the OPSEU Pension Plan during the year amounted to \$2,762,607 [2011 - \$2,495,871] and are included in salaries, wages and employee benefits expense in the statements of operations and changes in unrestricted net assets.

[b] Non-pension, post-employment benefit plans

Effective April 1 2011, the terms of the health care and dental benefit plans available to certain retired employees of CAMH were amended. 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 as at March 31 is as follows:

	2012	2011
	\$	\$
Accrued benefit obligation	(1,392,600)	—
Plan assets	—	—
Funded status - plan deficit	(1,392,600)	—
Unamortized net actuarial loss	123,200	—
Accrued benefit liability included in accounts payable and accrued liabilities	(1,269,400)	—

Centre for Addiction and Mental Health

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

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

	2012	2011
	\$	\$
Current period benefit cost	108,800	—
Past service costs incurred during the year	1,144,500	—
Interest expense	52,500	—
	1,305,800	—

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

	2012	2011
	%	%
Accrued benefit obligation		
Discount rate	3.25	—
Initial health care cost trend rate	9.00	—
Ultimate health care cost trend rate	5.00	—
Dental cost trend rate	4.00	—
Year ultimate rate reached	2023	—
Benefit expense		
Discount rate	4.25	—
Initial health care cost trend rate	9.00	—
Ultimate health care cost trend rate	4.00	—
Year ultimate rate reached	2023	—

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

	2012	2011
	\$	\$
Employer contributions	36,400	—
Benefits paid	36,400	—

Centre for Addiction and Mental Health

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

10. AFFILIATED ENTITY

The Foundation is an independent corporation without share capital that has its own Board of Directors. The Foundation is responsible for all fundraising activities carried out on behalf of CAMH and provides donations to CAMH for capital, research and other operating activities. The accounts of the Foundation are not included in these financial statements.

As at March 31, 2012, the Foundation had net assets of \$37,640,139 [2011 - \$34,400,906]. Grants from the Foundation recognized during the year as revenue, deferred contributions related to research funds, other deferred contributions or deferred capital contributions totalled \$14,804,476 [2011 - \$16,155,993]. These amounts were used to fund capital projects, research projects and other operating activities. As at March 31, 2012, there was \$9,312,170 [March 31, 2011 - \$16,985,617; April 1, 2010 - \$10,398,623] receivable from the Foundation included in accounts receivable related to the above-noted contributions, and amounts paid by CAMH on behalf of the Foundation [note 5].

11. CONTINGENCIES

- [a] CAMH participates in the Health Care 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 that 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, 2012.
- [b] CAMH is subject to various claims and potential claims related to its operations. Where the potential liability is likely and able to be estimated, management has recorded its best estimate of the potential liability. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the year during which the liability is able to be estimated or adjustments to the amount recorded are determined to be required.

Centre for Addiction and Mental Health

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

12. LEASE COMMITMENTS

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

	\$
2013	2,774,651
2014	1,581,143
2015	1,244,840
2016	1,170,790
2017	1,170,790
Thereafter	1,170,790
	<u>9,113,004</u>

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

13. INTERNALLY RESTRICTED NET ASSETS

Internally restricted net assets consist of the following:

	March 31, 2012 \$	March 31, 2011 \$	April 1, 2010 \$
Internally funded capital assets	27,031,978	26,302,450	28,460,560
Amounts set aside by the Board of Trustees for site redevelopment, information technology and other capital projects	36,583,191	29,508,619	20,540,005
Total internally restricted net assets	63,615,169	55,811,069	49,000,565

During the year, the Board of Trustees approved a net transfer of \$7,462,535 [2011 - \$6,810,504] from unrestricted to internally restricted net assets.

14. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2012 financial statements.