

Financial Statements

Centre for Addiction and Mental Health

March 31, 2013

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 sheet as at March 31, 2013, and the statements of operations and changes in unrestricted net assets, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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 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 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 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, 2013 and the results of its operations and its cash flows for the year then ended 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, Canadian public sector accounting standards have been applied on a consistent basis.

Toronto, Canada,
May 23, 2013.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Centre for Addiction and Mental Health

BALANCE SHEET

As at March 31

	2013 \$	2012 \$
ASSETS		
Current		
Cash and cash equivalents <i>[note 3]</i>	48,662,200	40,580,209
Restricted cash <i>[note 6[g]]</i>	3,523,611	16,152,918
Accounts receivable <i>[note 4]</i>	24,126,203	139,453,796
Inventories	1,317,769	1,117,660
Prepaid expenses	6,896,716	9,593,342
Total current assets	84,526,499	206,897,925
Restricted cash <i>[note 6[g]]</i>	4,876,700	9,414,316
Long-term receivable <i>[notes 4 and 6[f]]</i>	98,634,948	99,881,777
Investments <i>[note 3]</i>	63,284,093	66,945,690
Capital assets, net <i>[note 5]</i>	385,736,809	361,925,180
	637,059,049	745,064,888
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities <i>[notes 6[i] and 9]</i>	82,543,311	67,555,054
Current portion of long-term payable <i>[note 6[d]]</i>	1,557,207	139,342,880
Total current liabilities	84,100,518	206,897,934
Deferred contributions related to research funds <i>[note 8[a]]</i>	23,000,470	25,893,839
Other deferred contributions <i>[note 8[b]]</i>	1,336,132	4,252,443
Long-term payable <i>[note 6[d]]</i>	103,158,253	104,715,461
Deferred capital contributions <i>[note 7]</i>	352,433,917	339,663,415
Total liabilities	564,029,290	681,423,092
Contingencies and commitments <i>[notes 6, 11 and 12]</i>		
Net assets		
Internally restricted <i>[note 13]</i>	73,003,132	63,615,169
Unrestricted	—	—
Endowment	26,627	26,627
Total net assets	73,029,759	63,641,796
	637,059,049	745,064,888

See accompanying notes

Approved by the Board:



Bud Purves, Trustee



Jim Griffiths, Trustee

Centre for Addiction and Mental Health

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

Year ended March 31

	2013 \$	2012 \$
REVENUE		
Ministry of Health and Long-Term Care/Toronto Central		
Local Health Integration Network grants	298,183,223	265,460,645
Patient revenue	737,128	922,198
Other grants <i>[note 10]</i>	36,203,372	32,453,286
Ancillary and other	24,485,783	24,553,222
Amortization of deferred capital contributions	12,554,923	7,539,438
Investment income	1,409,895	1,056,930
	373,574,324	331,985,719
EXPENSES		
Salaries, wages and employee benefits <i>[notes 8[a] and 9]</i>	256,594,234	246,720,363
Supplies and other <i>[notes 6[d] and 8[a]]</i>	84,067,817	58,483,768
Depreciation	16,770,753	11,180,522
Rent	3,469,959	4,099,515
Drugs and medical supplies	2,676,745	3,560,927
Medical and surgical <i>[note 8[a]]</i>	606,853	478,089
	364,186,361	324,523,184
Excess of revenue over expenses for the year	9,387,963	7,462,535
Unrestricted net assets, beginning of year	—	—
Transfer to internally restricted net assets <i>[note 13]</i>	(9,387,963)	(7,462,535)
Unrestricted net assets, end of year	—	—

See accompanying notes

Centre for Addiction and Mental Health

STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31

	2013			2012
	Internally restricted \$	Unrestricted \$	Endowment \$	Total \$
Net assets, beginning of year	63,615,169	—	26,627	63,641,796
Excess of revenue over expenses for the year	—	9,387,963	—	9,387,963
Interfund transfer <i>[note 13]</i>	9,387,963	(9,387,963)	—	—
Net assets, end of year	73,003,132	—	26,627	73,029,759

See accompanying notes

Centre for Addiction and Mental Health

STATEMENT OF CASH FLOWS

Year ended March 31

	2013 \$	2012 \$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	9,387,963	7,462,535
Add (deduct) items not affecting cash		
Depreciation	16,770,753	11,180,522
Amortization of deferred capital contributions	(12,554,923)	(7,539,438)
Amortization of premium on investment in bonds	536,777	656,956
	14,140,570	11,760,575
Net change in non-cash working capital balances	15,981,331	1,594,915
Net change in deferred contributions related to research funds	(2,893,369)	3,948,595
Net change in other deferred contributions	(2,916,311)	(298,650)
Cash provided by operating activities	24,312,221	17,005,435
INVESTING ACTIVITIES		
Decrease (increase) in restricted cash	17,166,923	(20,967,234)
Withdrawals from investments, net	3,124,820	1,988,143
Cash provided by (used in) investing activities	20,291,743	(18,979,091)
FINANCING ACTIVITIES		
Contributions restricted for capital purposes	143,403,290	24,968,139
Cash provided by financing activities	143,403,290	24,968,139
CAPITAL ACTIVITIES		
Purchase of capital assets	(179,925,263)	(6,840,314)
Cash used in capital activities	(179,925,263)	(6,840,314)
Net increase in cash and cash equivalents during the year	8,081,991	16,154,169
Cash and cash equivalents, beginning of year	40,580,209	24,426,040
Cash and cash equivalents, end of year	48,662,200	40,580,209
Supplemental cash flow information		
Capital asset purchases funded by liabilities, net	(139,342,881)	107,190,685
Contributions receivable related to capital asset purchases, net	118,077,865	71,644,822

See accompanying notes

Centre for Addiction and Mental Health

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

1. INCORPORATION

The Centre for Addiction and Mental Health ["CAMH" or the "Hospital"] 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. SUMMARY OF 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. CAMH has chosen to use the standards for government not-for-profit organizations that include Sections PS 4200 to PS 4270. The financial statements have been prepared based on 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 ["CAMH Foundation" or the "Foundation"], a non-controlled affiliated entity [note 10].

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 2013.

Centre for Addiction and Mental Health

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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 grants. Grants are recognized in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions are deferred when initially recorded in the accounts and recognized as revenue 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.

Interest, dividends and realized gains (losses) are recorded as investment income in the statement of operations and changes in unrestricted net assets, 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. Any change in unrealized gains and losses related to investments reported at fair value is recorded in the statement of remeasurement gains and losses.

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.

Centre for Addiction and Mental Health

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

Financial instruments

Financial instruments are classified in one of the following categories (i) fair value or (ii) cost or amortized cost. CAMH determines the classification of its financial instruments at initial recognition.

Investments reported at fair value consist of equity instruments that are quoted in an active market as well as investments in pooled funds, derivative contracts and any other investments where the investments are managed on a fair value basis and the fair value option is elected. Transaction costs are recognized in the statement of operations and changes in unrestricted net assets in the period during which they are incurred. Investments at fair value are remeasured at their fair value at the end of each reporting period. Any revaluation gains and losses are recognized in the statement of remeasurement gains and losses and are cumulatively reclassified to the statement of operations and changes in unrestricted net assets upon disposal or settlement.

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.

All investment transactions are recorded on a trade date basis.

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

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

Inventories

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

Centre for Addiction and Mental Health

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

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 on an accrual basis.

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 CAMH'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.

3. INVESTMENTS

Investments, which are recorded at cost or amortized cost, consist of the following:

	2013	2012
	\$	\$
Cash and cash equivalents	19,164,960	22,992,885
Short-term notes	25,399,817	29,731,705
Bonds	18,719,316	14,221,100
	63,284,093	66,945,690

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

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[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 *[note 13]*.

As at March 31, 2013, bonds have an average term to maturity of 0.31 years [2012 - 0.40 years] and an average yield of 1.15% [2012 - 1.24%] based on market values and short-term notes have an average term to maturity of 0.13 years [2012 - 0.09 years] and an average yield of 0.60% [2012 - 0.94%].

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2013 \$	2012 \$
MOH-LTC/TC-LHIN		
Redevelopment <i>[note 6[b], [f] and [h]]</i>	104,198,043	218,739,275
Other	8,459,530	3,482,535
Patients	140,116	168,152
Research related	1,486,980	1,862,406
Centre for Addiction and Mental Health Foundation <i>[note 10]</i>		
Redevelopment <i>[note 6[f]]</i>	—	7,796,233
Other	3,181,358	1,515,937
Other	5,295,124	5,771,035
	122,761,151	239,335,573
Less long-term portion <i>[note 6[f]]</i>	98,634,948	99,881,777
	24,126,203	139,453,796

There are no significant amounts that are past due or impaired.

Centre for Addiction and Mental Health

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

5. CAPITAL ASSETS

Capital assets consist of the following:

	2013		
	Cost	Accumulated depreciation	Net book value
	\$	\$	\$
Land	9,485,465	—	9,485,465
Buildings	41,028,577	17,913,045	23,115,532
Equipment and furniture	76,401,610	58,248,860	18,152,750
Site redevelopment <i>[note 6]</i>			
Buildings	336,127,957	21,997,419	314,130,538
Equipment and furniture	21,016,830	3,894,524	17,122,306
Construction in progress	3,730,218	—	3,730,218
	487,790,657	102,053,848	385,736,809
	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 <i>[note 6]</i>			
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

Centre for Addiction and Mental Health

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

6. REDEVELOPMENT PROJECT

- [a] 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. This multi-phase project is being funded by the MOH-LTC, CAMH Foundation, The Canada Foundation for Innovation, the Ministry of Research and Innovation, and by CAMH through internally generated funds.
- [b] Phase 1A of the Project was completed with a total cost of \$34.8 million. As at March 31, 2013, all funding for this phase of the Project has been received except for the final payment of \$1.3 million [2012 - \$1.3 million] receivable from the MOH-LTC [note 4].
- [c] Phase 1B of the Project was substantially completed on April 30, 2012 and the buildings were occupied in June 2012. Total project costs of \$273.3 million have been incurred to March 31, 2013, of which \$270.7 million has been recorded as buildings, equipment and furniture in capital assets and \$2.6 million has been expensed.
- [d] In December 2009, CAMH entered into a project agreement with a third party construction company, CHS (CAMH) Partnership ["Project Co"], to design, build, finance and maintain [for a 30-year term] the buildings constructed as part of Phase 1B. During the year, \$140.3 million was paid to Project Co in connection with the construction and furnishing of the buildings.

The balance of the amount due to Project Co of \$104,715,460 related to the construction of the buildings bears interest at 7.4%, is repayable in blended monthly installments of \$729,078 and matures on May 31, 2042. The payments over the next five years are as follows:

	\$
2014	1,059,572
2015	1,140,433
2016	1,227,464
2017	1,321,138
2018	1,421,960
Thereafter	98,544,893
	<u>104,715,460</u>

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During the year ended March 31, 2013, interest expense of \$7,290,785 was included in supplies and other expenses in the statement of operations and changes in unrestricted net assets.

- [e] Part of the agreement with Project Co requires that it provide certain operating and maintenance services to May 31, 2042. The total cost of these services is estimated to be \$98.5 million in current dollars. Most of these costs are expected to be funded by the MOH-LTC, either directly or through CAMH's operating budget. In addition, the Hospital is committed to making total payments of approximately \$45.7 million related to capital maintenance over the period to May 31, 2042. These payments are also to be substantially funded by the MOH-LTC.
- [f] As at March 31, 2013, CAMH has received amounts from the MOH-LTC and the Foundation in connection with the funding of Phase 1B of the Project and has recorded amounts receivable. A long-term receivable of \$98.6 million [2012 - \$99.2 million] and short-term receivable of \$3.5 million [2012 - \$110.7 million] from the MOH-LTC have been recorded in connection with committed funding to be received [note 4]. In addition, as at March 31, 2012, there was a long-term receivable of \$0.6 million and a short-term receivable of \$7.2 million receivable due from the Foundation [note 4]. The amounts received and receivable to date are included in deferred capital contributions [note 7].
- [g] 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, 2013, there are funds received in advance of \$3.5 million [2012 - \$16.2 million] in current restricted cash and \$4.9 million [2012 - \$9.4 million] in long-term restricted cash. The classification is based on when the funds are to be used to fund the current or long-term amount due to Project Co.
- [h] In September 2011, the MOH-LTC advised CAMH that it has approved the Planning and Design for Phase 1C Redevelopment Project and with a projected start of procurement for construction in the year ended March 31, 2016. As at March 31, 2013, there is a short-term receivable of \$0.7 million from the MOH-LTC in connection with funding committed for this phase of the Project.
- [i] Effective October 1, 2010, CAMH entered into a 50-year lease agreement related to a parcel of owned property on Queen Street for development of affordable rental units and retail by a third party. CAMH has received \$2.0 million as advance lease payments, which are being amortized over the lease term. As at March 31, 2013, the balance payable included in accounts payable and accrued liabilities was \$1.4 million [2012 - \$1.6 million].

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NOTES TO FINANCIAL STATEMENTS

March 31, 2013

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:

	2013	2012
	\$	\$
Balance, beginning of year	339,663,415	250,589,892
Less amortization of deferred capital contributions	(12,554,923)	(7,539,438)
Add contributions restricted for capital purposes <i>[note 6[ff]]</i>	25,325,425	96,612,961
Balance, end of year	352,433,917	339,663,415

Included in the above balances are contributions of \$3,086,887 [2012 - \$4,770,222] received but not yet used to purchase capital assets *[note 3]*.

8. 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:

	2013	2012
	\$	\$
Balance, beginning of year	25,893,839	21,945,244
Amount received during the year <i>[note 10]</i>	30,505,630	36,063,266
Amount recognized as revenue during the year	(33,398,999)	(32,114,671)
Balance, end of year	23,000,470	25,893,839

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March 31, 2013

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

	2013	2012
	\$	\$
Salaries, wages and employee benefits	17,769,078	16,833,058
Supplies and other	15,598,653	15,263,658
Medical and surgical	31,268	17,955
Amount recognized as revenue during the year	33,398,999	32,114,671

[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:

	2013	2012
	\$	\$
Balance, beginning of year	4,252,443	4,551,093
Amount received during the year [note 10]	7,331,794	4,091,199
Amount recognized as revenue during the year	(10,248,105)	(4,389,849)
Balance, end of year	1,336,132	4,252,443

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 since CAMH has insufficient information to apply defined benefit plan accounting. CAMH's contributions to HOOPP during the year amounted to \$11,825,228 [2012 - \$12,776,301] and are included in salaries, wages and employee benefits expense in the statement of operations and changes in unrestricted net assets. The most recent actuarial valuation for financial reporting purposes completed by HOOPP as of December 31, 2012 disclosed net assets available for benefits of \$47,414 million with pension obligations of \$39,919 million, resulting in a surplus of \$7,495 million.

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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 since CAMH has insufficient information to apply defined benefit plan accounting. CAMH's contributions to the OPSEU Pension Plan during the year amounted to \$2,569,437 [2012 - \$2,762,607] and are included in salaries, wages and employee benefits expense in the statement of operations and changes in unrestricted net assets.

[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 as at March 31 is as follows:

	2013 \$	2012 \$
Accrued benefit obligation	(1,557,600)	(1,392,600)
Plan assets	—	—
Funded status - plan deficit	(1,557,600)	(1,392,600)
Unamortized net actuarial loss	153,600	123,200
Accrued benefit liability included in accounts payable and accrued liabilities	(1,404,000)	(1,269,400)

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

	2013 \$	2012 \$
Current period benefit cost	128,600	108,800
Past service costs incurred during the year	—	1,144,500
Amortization of actuarial losses	9,000	—
Interest expense	48,600	52,500
	186,200	1,305,800

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

	2013	2012
	%	%
Accrued benefit obligation		
Discount rate	3.00	3.25
Health care cost trend rate	9.00	9.00
Ultimate health care cost trend rate	5.00	5.00
Dental cost trend rate	4.00	4.00
Year ultimate rate reached	2023	2023
Benefit expense		
Discount rate	3.25	4.25
Health care cost trend rate	9.00	9.00
Ultimate health care cost trend rate	4.00	4.00
Year ultimate rate reached	2023	2023

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

	2013	2012
	\$	\$
Employer contributions	51,600	36,400
Benefits paid	51,600	36,400

10. AFFILIATED ENTITY

CAMH 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 grants to CAMH for capital, research and other operating activities. The accounts of the Foundation are not included in these financial statements.

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March 31, 2013

As at March 31, 2013, the Foundation had net assets of \$51,382,655 [2012 - \$37,640,139]. Grants from the Foundation recognized during the year as revenue, deferred contributions related to research funds, other deferred contributions or deferred capital contributions totalled \$9,793,618 [2012 - \$14,804,476]. These amounts were used to fund capital projects, research projects and other operating activities. As at March 31, 2013, there was \$3,181,358 [2012 - \$9,312,170] 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 4].

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, 2013.
- [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.

12. LEASE COMMITMENTS

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

	\$
2014	2,492,627
2015	1,787,491
2016	1,398,800
2017	1,194,405
2018	1,194,405
Thereafter	276,058
	<u>8,343,786</u>

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

Centre for Addiction and Mental Health

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13. INTERNALLY RESTRICTED NET ASSETS

Internally restricted net assets consist of the following:

	2013	2012
	\$	\$
Internally funded capital assets	36,389,779	27,031,978
Amounts set aside by the Board of Trustees for site redevelopment, information technology and other capital projects	36,613,353	36,583,191
	73,003,132	63,615,169

During the year, the Board of Trustees approved a net transfer of \$9,387,963 [2012 - \$7,462,535] from unrestricted to internally restricted net assets.

14. FINANCIAL INSTRUMENTS

Credit risk

CAMH is exposed to credit risk in connection with its accounts receivable and its short-term and fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

CAMH manages and controls credit risk with respect to accounts receivable by only dealing with recognized, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis.

With respect to credit risk arising from investment activities, CAMH manages this risk by developing an investment policy that establishes criteria for the selection of investments that include benchmarks for the creditworthiness of entities.

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Liquidity risk

CAMH is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities. CAMH derives a significant portion of its operating revenue from the Ontario government with no firm commitment of funding in future years. To manage liquidity risk, CAMH keeps sufficient resources readily available to meet its obligations. CAMH will enter into debt agreements to assist with the financing of capital assets when other sources are not available.

Accounts payable mature within six months. The maturities of other financial liabilities are provided in the notes to the financial statements related to these liabilities.

Interest rate risk

CAMH is exposed to interest rate risk with respect to its investments in fixed income investments and long-term payable balance because the fair value will fluctuate due to changes in market interest rates.

A change in the interest rate on CAMH's fixed income investments and long-term payable would have no impact on the financial statements since the investments are measured at amortized cost and the payable has a fixed rate as described in note 6[d].

15. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2013 financial statements.

