Centre for Addiction and Mental Health

Financial Statements
March 31, 2014

June 4, 2014

Independent Auditor's Report

To the Trustees of
Centre for Addiction and Mental Health

We have audited the accompanying financial statements of Centre for Addiction and Mental Health, which comprise the statement of financial position as at March 31, 2014 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

PricewaterhouseCoopers LLP
North American Centre, 5700 Yonge Street, Suite 1900, North York, Ontario, Canada M2M 4K7
T: +1 416 218 1500, F: +1 416 218 1499

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Centre for Addiction and Mental Health as at March 31, 2014 and the results of its operations, its remeasurement gains and losses, and changes in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other matter
The financial statements of Centre for Addiction and Mental Health as at and for the year ended March 31, 2013 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 23, 2013.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Centre for Addiction and Mental Health

Statement of Financial Position

As at March 31, 2014

	2014 $	2013 $
Assets		
Current assets		
Cash	41,940,205	67,485,742
Restricted cash (note 6)	5,217,802	3,523,611
Accounts receivable (note 4)	27,925,707	24,126,203
Inventories	3,194,571	5,140,580
Prepaid expenses	3,607,393	3,073,905
	81,885,678	103,350,041
Restricted cash (note 6)	3,718,726	4,876,700
Long-term receivable (notes 4 and 6)	96,390,749	98,634,948
Investments (note 3)	44,948,299	44,460,551
Capital assets (note 5)	405,226,151	385,736,809
	632,169,603	637,059,049
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	81,067,934	82,543,311
Current portion of long-term payable (note 6)	1,140,433	1,557,207
	82,208,367	84,100,518
Deferred contributions related to research funds (note 8(a))	18,231,768	23,000,470
Other deferred contributions (note 8(b))	3,877,551	1,336,132
Long-term payable (note 6)	102,515,455	103,158,253
Deferred capital contributions (note 7)	349,528,357	352,433,917
	556,361,498	564,029,290
Net assets		
Internally restricted (note 13)	75,781,478	73,003,132
Unrestricted	-	-
Endowment	26,627	26,627
	75,808,105	73,029,759
	632,169,603	637,059,049

Contingencies and commitments (notes 6, 11 and 12)

Approved by the Board of Directors

Board Chair

Chair of the Audit, Finance & Resources Committee

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

Centre for Addiction and Mental Health

Statement of Operations

For the year ended March 31, 2014

	2014 $	2013 $
Revenue		
Ministry of Health and Long-Term Care/Toronto Central Local Health Integration Network grants	295,268,862	298,183,223
Patient revenue	845,269	737,128
Other grants (note 10)	41,056,494	36,203,372
Ancillary and other	25,524,454	24,485,783
Amortization of deferred capital contributions (note 7)	12,473,726	12,554,923
Investment income	1,068,153	1,409,895
	376,236,958	373,574,324
Expenses		
Salaries, wages and employee benefits (note 8(a))	266,899,703	256,594,234
Supplies and other (notes 6 and 8(a))	82,077,164	84,067,817
Depreciation	17,254,080	16,770,753
Rent	3,099,881	3,469,959
Drugs and medical supplies	2,361,393	2,676,745
Medical and surgical (note 8(a))	1,766,391	606,853
	373,458,612	364,186,361
Excess of revenue over expenses for the year	2,778,346	9,387,963

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

Centre for Addiction and Mental Health

Statement of Changes in Net Assets

For the year ended March 31, 2014

	Internally restricted $ (note 13)	Unrestricted $	Endowment $	2014 Total $	2013 Total $
Net assets - Beginning of year	73,003,132	-	26,627	73,029,759	63,641,796
Excess of revenue over expenses for the year	-	2,778,346	-	2,778,346	9,387,963
Interfund transfer (note 13)	2,778,346	(2,778,346)	-	-	-
Net assets - End of year	75,781,478	-	26,627	75,808,105	73,029,759

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

Centre for Addiction and Mental Health

Statement of Cash Flows

For the year ended March 31, 2014

	2014 $	2013 $
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	2,778,346	9,387,963
Add (deduct) items not affecting cash		
Depreciation	17,254,080	16,770,753
Amortization of deferred capital contributions	(12,473,726)	(12,554,923)
Amortization of premium on investment in bonds	645,000	536,777
Loss on disposal of capital assets	721,621	-
	8,925,321	14,140,570
Net change in non-cash working capital balances		
Accounts receivable	(136,653)	(1,503,443)
Inventories	1,946,009	(4,022,920)
Prepaid expenses	(533,488)	6,519,437
Accounts payable and accrued liabilities	(1,475,377)	14,988,257
Net change in deferred contributions related to research funds	(4,768,702)	(2,893,369)
Net change in other deferred contributions	2,541,419	(2,916,311)
	6,498,529	24,312,221
Investing activities		
(Increase) decrease in restricted cash	(536,217)	17,166,923
(Purchases) disposals of investments - net	(1,132,748)	21,948,362
	(1,668,965)	39,115,285
Financing activities		
Contributions restricted for capital purposes	9,568,166	25,325,425
Contributions receivable related to capital asset purchases	(1,418,652)	118,077,865
Principal repayment of long-term payable	(1,059,572)	(139,342,881)
	7,089,942	4,060,409
Capital activities		
Purchase of capital assets	(37,465,043)	(40,582,382)
Net (decrease) increase in cash during the year	(25,545,537)	26,905,533
Cash - Beginning of year	67,485,742	40,580,209
Cash - End of year	41,940,205	67,485,742

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

1 Operations

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 a registered charity, as defined in the Income Tax Act (Canada), and as such is exempt from income taxes. The operations of CAMH are subject to the provisions of the Public Hospitals Act (Ontario).

2 Summary of significant accounting policies

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

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).

Revenue recognition

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

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

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

Endowment contributions are recognized as direct increases in net assets.

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, except to the extent that the amount is externally restricted, in which case it is added to or deducted from endowment net assets or other restricted balances.

Cash

Cash represents cash on hand and cash at the bank. During the current year, there was a change in accounting policy from categorizing a portion of the cash balance as investments based on nature and intent of the funds, to categorizing cash as cash on hand and in the bank. The policy has been retrospectively applied and resulted in an increase in cash and a decrease in investments of $18,823,541 in the prior year.

Inventories

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

Capital assets

Capital assets are stated at cost, less accumulated depreciation.

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

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

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

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

Contributed materials and services

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

Employee benefit plans

- Multi-employer plan

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

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

- Employee future benefits

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

  Past-service cost from plan amendments is expensed when the amendment takes effect.

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

Investments

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

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

All investment transactions are recorded on a trade date basis.

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

Use of estimates

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

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

3 Investments

Investments consist of the following:

	2014 $	2013 $
Pooled funds	11,132,002	10,863,018
Short-term notes	5,007,927	14,878,217
Bonds	28,808,370	18,719,316
	44,948,299	44,460,551

As at March 31, 2014, bonds have an average term to maturity of 0.40 years (2013 - 0.31 years) and an average yield of 1.06% (2013 - 1.15%) based on market values, and short-term notes have an average term to maturity of 0.10 years (2013 - 0.13 years) and an average yield of 0.30% (2013 - 0.60%).

4 Accounts receivable

Accounts receivable consist of the following:

	2014 $	2013 $
MOHLTC/TCLHIN		
Redevelopment (note 6)	107,363,688	104,198,043
Other	2,517,743	8,459,530
Patients	239,764	140,116
Research related	3,895,015	1,486,980
CAMH Foundation (note 10)		
Redevelopment (note 6)	978,444	-
Other	2,941,606	3,181,358
Other	6,380,196	5,295,124
	124,316,456	122,761,151
Less: Long-term portion (note 6(b))	96,390,749	98,634,948
	27,925,707	24,126,203

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

5 Capital assets

Capital assets consist of the following:

	2014			2013
	Cost $	Accumulated depreciation $	Net $	Net $
Land	9,485,465	-	9,485,465	9,485,465
Buildings	45,680,113	19,981,065	25,699,048	23,115,532
Equipment and furniture	98,207,109	58,715,392	39,491,717	18,152,750
Site redevelopment (note 6)				
Buildings	336,729,875	30,946,765	305,783,110	314,130,538
Equipment and furniture	23,498,743	6,042,487	17,456,256	17,122,306
Construction-in-progress	7,310,555	-	7,310,555	3,730,218
	520,911,860	115,685,709	405,226,151	385,736,809

Construction-in-progress consists primarily of Phase 1C of the redevelopment project (note 6(c)) and the clinical information system.

During the year, CAMH received donated assets of $802,480 (2013 - $230,954) and wrote off assets with a cost of $4,343,838 (2013 - $nil) and an accumulated depreciation of $3,622,217 (2013 - $nil).

6 Redevelopment project

CAMH is undertaking a multi-phase project to transform the Queen Street site from a traditional psychiatric hospital into a world-class centre for mental health and addiction care, research, education and health promotion and prevention, 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 MOHLTC, CAMH Foundation and by CAMH through internally generated funds.

Phase 1A

- Phase 1A of the Project was completed with a total cost of $34.8 million. As at March 31, 2014, all funding for this phase of the Project has been received except for the final payment of $1.3 million (2013 - $1.3 million) receivable from the MOHLTC (note 4).

Phase 1B

- 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.

- Phase 1B of the Project was substantially completed on April 30, 2012 and the buildings were occupied in June 2012. Total Project costs of $272.8 million have been incurred to March 31, 2014, of which $270.2 million has been recorded as buildings, equipment and furniture in capital assets and $2.6 million has been expensed. As at March 31, 2014, $141.3 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 $386,041,571 related to the construction of the buildings and operating and maintenance services bears interest at 7.4%, is repayable in blended monthly instalments of $1,135,943 and matures on May 31, 2042. The payments over the next five years and thereafter are as follows:

	Debt $	Interest $	Operating costs $	Lifecycle $
2015	1,140,433	7,608,503	2,442,505	6,051
2016	1,227,464	7,521,472	2,602,097	141,984
2017	1,321,138	7,427,798	2,651,139	205,527
2018	1,421,960	7,326,976	2,701,161	261,292
2019	1,530,476	7,218,460	2,752,185	530,432
Thereafter	97,014,417	105,669,268	80,763,943	44,554,890
	103,655,888	142,772,477	93,913,030	45,700,176

During the year ended March 31, 2014, interest expense of $7,834,693 (2013 - $15,642,294) was included in supplies and other expenses in the statement of operations.

- 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 $93.9 million over the term of the agreement. Most of these costs are expected to be funded by the MOHLTC, either directly or through CAMH's operating budget. During the year ended March 31, 2014, operating and maintenance costs of $1.8 million were included in supplies and other expenses in the statement of operations. 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 MOHLTC.

- As at March 31, 2014, CAMH has received amounts from the MOHLTC and the Foundation in connection with the funding of Phase 1B of the Project and has recorded amounts receivable. A long-term receivable of $96.4 million (2013 - $98.6 million) and short-term receivable of $5.7 million (2013 - $3.5 million) from the MOHLTC have been recorded in connection with committed funding to be received (note 4). In addition, as at March 31, 2014, there is a short-term receivable of $1.0 million (2013 - $nil) due from the Foundation (note 4). The amounts received and receivable to date are included in deferred capital contributions (note 7).

- The Project agreement with MOHLTC requires CAMH to deposit any cash received to fund amounts due to Project Co in a restricted bank account. As at March 31, 2014, there are funds received in advance of $5.2 million (2013 - $3.5 million) in current restricted cash and $3.7 million (2013 - $4.9 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.

- In connection with Phase 1B, letters of credit in favour of municipalities and utilities have been issued, aggregating to $965,640 (2013 - $1,421,306). These letters of credit have been secured by a $15 million credit facility.

Phase 1C

- In September 2011, the MOHLTC advised CAMH that it has approved the planning and design for Phase 1C of the Project, with a projected start of procurement for construction in fiscal 2016. As at March 31, 2014, there is a short-term receivable of $3.9 million (2013 - $0.7 million) from the MOHLTC in connection with funding committed for this phase of the Project.

7 Deferred capital contributions

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

	2014 $	2013 $
Balance - Beginning of year	352,433,917	339,663,415
Less: Amortization of deferred capital contributions	(12,473,726)	(12,554,923)
Add: Contributions restricted for capital purposes	9,568,166	25,325,425
Balance - End of year	349,528,357	352,433,917

Included in the above balances are contributions of $543,635 (2013 - $3,086,887) received but not yet used to purchase capital assets (note 5).

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:

	2014 $	2013 $
Balance - Beginning of year	23,000,470	25,893,839
Amount received during the year	34,172,014	30,505,630
Amount recognized as revenue during the year	(38,940,716)	(33,398,999)
Balance - End of year	18,231,768	23,000,470

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

	2014 $	2013 $
Salaries, wages and employee benefits	19,069,948	17,769,078
Supplies and other	19,634,657	15,598,653
Medical and surgical	236,111	31,268
Amount recognized as revenue during the year	38,940,716	33,398,999

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:

	2014 $	2013 $
Balance - Beginning of year	1,336,132	4,252,443
Amount received during the year	19,953,129	7,331,794
Amount recognized as revenue during the year	(17,411,710)	(10,248,105)
Balance - End of year	3,877,551	1,336,132

9 Employee benefit plans

a) Multi-employer pension plans

CAMH's contributions to HOOPP during the year amounted to $13,186,978 (2013 - $11,825,228) and are included in salaries, wages and employee benefits expense in the statement of operations. The most recent actuarial valuation for financial reporting purposes was completed by HOOPP as of December 31, 2013.

CAMH's contributions to the OPSEU Pension Plan during the year amounted to $2,640,779 (2013 - $2,569,437) and are included in salaries, wages and employee benefits expense in the statement of operations.

b) Non-pension, post-employment benefit plans

CAMH offers health care and dental benefit plans to certain retired employees. CAMH measures its accrued benefit obligation for accounting purposes as at March 31 of each year.

Information about CAMH's non-pension, post-employment defined benefit plans is calculated based on the latest actuarial valuation performed on March 31, 2014.

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

	2014 $	2013 $
Accrued benefit obligation	(1,705,700)	(1,557,600)
Funded status - plan deficit	(1,705,700)	(1,557,600)
Unamortized actuarial loss	173,300	153,600
Accrued benefit liability included in accounts payable and accrued liabilities	(1,532,400)	(1,404,000)

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

	2014 $	2013 $
Current period benefit cost	137,500	128,600
Amortization of actuarial loss	11,900	9,000
Interest expense	49,800	48,600
	199,200	186,200

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

	2014 %	2013 %
Accrued benefit obligation		
Discount rate	3.50	3.00
Health care cost trend rate	7.80	9.00
Ultimate health care cost trend rate	5.00	5.00
Dental cost trend rate	4.00	4.00
Benefit expense		
Discount rate	3.00	3.25
Health care cost trend rate	7.80	9.00
Ultimate health care cost trend rate	4.00	4.00

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

	2014 $	2013 $
Employer contributions	70,800	51,600
Benefits paid	70,800	51,600

10 Affiliated entity

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

The Foundation granted $8,381,462 (2013 - $9,793,618) to fund capital projects, research projects and other operating activities. The balance due from the Foundation of $3,920,050 (2013 - $3,181,358) comprises grants payable and operating expenses paid by CAMH on behalf of the Foundation (note 4). These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by both parties.

11 Contingencies

a) From time to time, CAMH is named in lawsuits related to its activities. These claims are at various stages and therefore it is not possible to determine the merits of these claims or to estimate the possible financial liability, if any, to CAMH. Accordingly, no material provisions have been made for loss in these financial statements.

b) CAMH is a member in the Healthcare Insurance Reciprocal of Canada (HIROC) and therefore has an economic interest in HIROC. HIROC is a pooling of the public liability insurance risks of its hospital members. All members of the HIROC pool pay annual premiums, which are actuarially determined. All members are subject to assessment for losses, if any, experienced by the pool for the years in which they were members. No assessments have been made for the year ended March 31, 2014.

Since its inception in 1987, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income, less the obligation for claims reserves and expenses and operating expenses. Each subscriber that has an excess of premiums plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of its share of the unappropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There is no distribution receivable from HIROC as of March 31, 2014.

12 Commitments

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

	$
2015	2,786,466
2016	2,272,124
2017	2,004,596
2018	1,825,047
2019	412,821
Thereafter	110,767
	9,411,821

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:

	2014 $	2013 $
Internally funded capital assets	56,241,429	36,389,779
Amounts set aside by the Board of Trustees for site redevelopment, information technology and other capital projects	19,540,049	36,613,353
	75,781,478	73,003,132

During the year, the Board of Trustees approved a net transfer of $2,778,346 (2013 - $9,387,963) from unrestricted to internally restricted net assets.

14 Financial instruments

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

CAMH's financial instruments are measured as follows:

Assets/liabilities	Measurement category
Cash	fair value
Restricted cash	fair value
Accounts receivable	amortized cost
Investments	fair value
Long-term receivable	amortized cost
Accounts payable and accrued liabilities	amortized cost
Long-term payable	amortized cost

Fair value measurement

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

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - market based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

- Level 3 - inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Investments were measured as Level 1 financial instruments.

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

Risk management

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

- Market risk

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

  - Interest rate risk

    Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income investments and long-term payable held by CAMH. A change in the interest rate on these would have no impact on the financial statements since the fixed income investments are measured at amortized cost and the payable has a fixed rate as described in note 6.

- Credit risk

  CAMH is exposed to credit risk in the event of non-payment by patients for non-insured services and services provided to non-resident patients. The risk is common to hospitals such as CAMH as they are required to provide care for patients regardless of the patients' ability to pay for services provided.

- Liquidity risk

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

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

15 Comparative figures

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.