

Centre for Addiction and Mental Health

Financial Statements
March 31, 2017



May 26, 2017

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, 2017 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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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, 2017, and the results of its operations, its remeasurement gains and losses, changes in net assets and its cash flows for the year ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Centre for Addiction and Mental Health

Statement of Financial Position

As at March 31, 2017

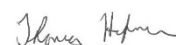
	2017 \$	2016 \$
Assets		
Current assets		
Cash	35,789,775	36,935,316
Restricted cash (note 6(b) and (c))	1,801,848	6,193,801
Accounts receivable (note 4)	29,347,079	27,464,227
Inventories	1,940,644	2,501,981
Prepaid expenses	1,722,865	2,182,117
	<u>70,602,211</u>	<u>75,277,442</u>
Restricted cash (note 6(b))	3,280,475	6,709,544
Long-term receivable (notes 4 and 6(b) and (c))	108,091,223	91,742,905
Investments (note 3)	46,076,433	45,656,364
Capital assets (note 5)	437,907,823	419,864,649
	<u>665,958,165</u>	<u>639,250,904</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 9(b))	58,667,540	66,902,021
Long-term payable (note 6(b))	1,216,777	1,124,253
	<u>59,884,317</u>	<u>68,026,274</u>
Deferred contributions related to research funds (note 8(a))	23,322,396	20,569,738
Other deferred contributions (note 8(b))	8,970,198	8,315,972
Long-term payable (note 6(b) and (c))	110,232,457	93,912,476
Deferred capital contributions (note 7)	379,071,158	369,246,802
	<u>581,480,526</u>	<u>560,071,262</u>
Net Assets		
Internally restricted (note 13)	84,451,012	79,153,015
Unrestricted	-	-
Endowment	26,627	26,627
	<u>84,477,639</u>	<u>79,179,642</u>
	<u>665,958,165</u>	<u>639,250,904</u>

Contingencies and commitments (notes 6, 11 and 12)

Approved by the Board of Directors



Chair, Board of Trustees



Chair, Audit, Finance & Resource Committee

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

Centre for Addiction and Mental Health

Statement of Operations

For the year ended March 31, 2017

	2017 \$	2016 \$
Revenue		
Ministry of Health and Long-Term Care/Toronto Central Local Health Integration Network grants (note 8(b))	313,153,780	305,775,881
Patient revenue	2,028,784	1,618,251
Other grants (notes 8(b) and 10)	49,765,351	47,447,105
Ancillary and other	26,387,243	25,136,170
Amortization of deferred capital contributions (note 7)	16,244,599	15,157,434
Investment income	704,070	496,079
	<hr/> 408,283,827	<hr/> 395,630,920
Expenses		
Salaries, wages and employee benefits (note 8(a))	282,990,232	286,405,268
Supplies and other (notes 6 and 8(a))	86,495,925	76,689,397
Depreciation	23,036,920	22,064,218
Rent	2,621,936	2,474,980
Drugs and medical supplies	7,840,817	6,273,945
	<hr/> 402,985,830	<hr/> 393,907,808
Excess of revenue over expenses for the year	<hr/> 5,297,997	<hr/> 1,723,112

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, 2017

				<u>2017</u>	<u>2016</u>
	Internally restricted \$	Unrestricted \$	Endowment \$	Total \$	Total \$
Net assets - Beginning of year	79,153,015	-	26,627	79,179,642	77,456,530
Excess of revenue over expenses for the year	-	5,297,997	-	5,297,997	1,723,112
Interfund transfer (note 13)	5,297,997	(5,297,997)	-	-	-
Net assets - End of year	<u>84,451,012</u>	<u>-</u>	<u>26,627</u>	<u>84,477,639</u>	<u>79,179,642</u>

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, 2017

	2017 \$	2016 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	5,297,997	1,723,112
Add (deduct): Items not affecting cash		
Depreciation	23,036,920	22,064,218
Amortization of deferred capital contributions	(16,244,599)	(15,157,434)
Amortization of premium on investment in bonds	325,117	-
Loss on disposal of capital assets	520,745	8,151
	<u>12,936,180</u>	<u>8,638,047</u>
Net change in non-cash working capital balances		
Accounts receivable	(6,707,369)	1,917,273
Inventories	561,337	85,974
Prepaid expenses	459,252	556,098
Accounts payable and accrued liabilities	(8,234,481)	(10,380,604)
Net change in deferred contributions related to research funds	2,752,658	(558,032)
Net change in other deferred contributions	654,226	6,388,104
	<u>2,421,803</u>	<u>6,646,860</u>
Investing activities		
Decrease in restricted cash	7,821,022	4,297,617
Purchases of investments - net	(745,186)	(243,041)
	<u>7,075,836</u>	<u>4,054,576</u>
Financing activities		
Contributions received restricted for capital purposes	26,068,955	13,264,964
Contributions receivable related to capital asset purchases	5,991,316	(336,558)
Principal repayment of long-term payable	(1,102,612)	(1,017,251)
	<u>30,957,659</u>	<u>11,911,155</u>
Capital activities		
Purchase of capital assets	(41,600,839)	(24,311,466)
Net decrease in cash during the year	<u>(1,145,541)</u>	<u>(1,698,875)</u>
Cash - Beginning of year	<u>36,935,316</u>	<u>38,634,191</u>
Cash - End of year	<u>35,789,775</u>	<u>36,935,316</u>
Non-cash transactions		
Long-term payable	17,515,117	-
Contributions receivable related to capital asset purchases	(17,515,117)	-

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

Centre for Addiction and Mental Health

Notes to Financial Statements

March 31, 2017

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.

Centre for Addiction and Mental Health

Notes to Financial Statements

March 31, 2017

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

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

Cash

Cash represents cash on hand and cash at the bank.

Inventories

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

Capital assets

Capital assets are stated at cost, less accumulated depreciation.

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

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

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

Buildings	20 - 40 years
Equipment and furniture	5 - 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.

Centre for Addiction and Mental Health

Notes to Financial Statements

March 31, 2017

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 the end of each reporting period. Investments in securities not designated to be measured at fair value are initially recorded at fair value plus transaction costs and are subsequently measured at amortized cost using the effective interest rate method, less any provision for impairment. Investments reported at amortized cost consist of treasury bills, guaranteed investment certificates, and bonds.

All investment transactions are recorded on a trade date basis.

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

Centre for Addiction and Mental Health

Notes to Financial Statements

March 31, 2017

Use of estimates

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

The revenue recognized from the MOHLTC requires some estimation. CAMH has entered into accountability agreements that set out the rights and obligations of the parties in respect of funding provided to CAMH by the MOHLTC for the year ended March 31, 2017. 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 MOHLTC has the right to adjust funding received by CAMH. The MOHLTC is not required to communicate certain funding adjustments until after submission of year-end data. Since this data is not submitted until after the completion of the financial statements, the amount of the MOHLTC funding received during a year may be increased or decreased subsequent to year-end. The amount of revenue recognized in these financial statements represents management's best estimates of amounts that have been earned during the year.

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

3 Investments

Investments consist of the following:

	2017 \$	2016 \$
Treasury bills	-	32,442,835
Guaranteed Investment Certificates	13,694,287	13,213,529
Bonds	32,382,146	-
	<u>46,076,433</u>	<u>45,656,364</u>

As at March 31, 2017, treasury bills have an average term to maturity of nil years (2016 - 0.04 years), Guaranteed Investment Certificates have an average term to maturity of 0.93 years (2016 - 0.92 years), long-term bonds have an average term to maturity of 1.76 years (2016 - nil years), and the investments portfolio has an average yield of 1.02% (2016 - 0.45%).

Centre for Addiction and Mental Health

Notes to Financial Statements

March 31, 2017

4 Accounts receivable

Accounts receivable consist of the following:

	2017 \$	2016 \$
MOHLTC/TCLHIN		
Redevelopment (note 6)	111,630,779	98,767,132
Other	333,411	574,406
Patients	600,882	290,550
Research related	7,886,123	3,407,900
CAMH Foundation (note 10)		
Redevelopment (note 6)	2,970,158	4,000,263
Other	6,581,317	6,170,572
Other	7,435,632	5,996,309
	<u>137,438,302</u>	<u>119,207,132</u>
Less: Long-term portion (note 6)	108,091,223	91,742,905
	<u>29,347,079</u>	<u>27,464,227</u>

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

5 Capital assets

Capital assets consist of the following:

	2017		
	Cost \$	Accumulated depreciation \$	Net \$
Land	9,101,465	-	9,101,465
Buildings	56,493,940	26,583,217	29,910,723
Equipment and furniture	134,271,740	79,937,627	54,334,113
Site redevelopment (note 6)			
Buildings	346,937,356	57,669,518	289,267,838
Equipment and furniture	30,879,031	13,571,508	17,307,523
Construction-in-progress	37,986,161	-	37,986,161
	<u>615,669,693</u>	<u>177,761,870</u>	<u>437,907,823</u>

Centre for Addiction and Mental Health

Notes to Financial Statements

March 31, 2017

	2016		
	Cost	Accumulated	Net
	\$	depreciation	\$
		\$	
Land	9,101,465	-	9,101,465
Buildings	51,780,096	23,934,420	27,845,676
Equipment and furniture	123,980,266	71,482,613	52,497,653
Site redevelopment (note 6)			
Buildings	346,697,687	48,375,524	298,322,163
Equipment and furniture	27,094,964	11,038,972	16,055,992
Construction-in-progress	16,041,700	-	16,041,700
	<u>574,696,178</u>	<u>154,831,529</u>	<u>419,864,649</u>

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

During the year, CAMH wrote off assets with a cost of \$627,324 (2016 - \$1,539,327) and an accumulated depreciation of \$106,579 (2016 - \$1,531,176).

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, centred 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.

a) Phase 1A

Phase 1A of the Project was completed with a total cost of \$34.8 million. As at March 31, 2017, all funding for this phase of the Project has been received, except for the final payment of \$1.3 million (2016 - \$1.3 million) receivable from the MOHLTC (note 4).

b) 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.

Centre for Addiction and Mental Health

Notes to Financial Statements

March 31, 2017

The balance of the principal amount due to Project Co of \$93.9 million is related to the construction of the buildings and bears interest at 7.8%, repayable in blended monthly instalments of \$729,079 and matures on May 31, 2042. In addition, the balance of operating and lifecycle maintenance services costs of \$131.5 million is payable for the duration of the agreement. The payments over the next five years and thereafter are as follows:

	Debt \$	Interest \$	Operating costs \$	Lifecycle \$
2018	1,216,777	7,553,805	2,701,156	261,292
2019	1,295,424	7,453,518	2,752,179	530,432
2020	1,404,127	7,344,815	2,804,222	417,583
2021	1,521,951	7,226,990	2,857,307	608,990
2022	1,649,663	7,099,279	2,911,453	544,375
Thereafter	86,824,534	89,532,297	72,154,831	42,983,941
	<u>93,912,476</u>	<u>126,210,704</u>	<u>86,181,148</u>	<u>45,346,613</u>

During the year ended March 31, 2017, interest expense of \$7,790,844 (2016 - \$7,877,819) 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 remaining total cost of these services is estimated to be \$86.2 million. 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, 2017, operating and maintenance costs of \$2.5 million (2016 - \$2.6 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 \$45.3 million related to lifecycle maintenance over the remaining period of the agreement to May 31, 2042. These payments are also to be substantially funded by the MOHLTC and included in revenue from MOHLTC.

As at March 31, 2017, 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 \$90.6 million (2016 - \$91.7 million) and short-term receivable of \$2.2 million (2016 - \$4.5 million) from the MOHLTC have been recorded in connection with committed funding to be received (note 4). The amounts received and receivable to date are included in deferred capital contributions (note 7).

The Project agreement with the MOHLTC requires CAMH to deposit any cash received to fund amounts due to Project Co in a restricted bank account. As at March 31, 2017, there are funds received in advance of \$3.3 million (2016 - \$6.7 million) in long-term restricted cash and \$0.1 million (2016 - \$0.1 million) in short-term restricted cash. The classification is based on whether 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 \$495,102 (2016 - \$593,196). These letters of credit have been secured by a \$15 million credit facility.

Centre for Addiction and Mental Health

Notes to Financial Statements

March 31, 2017

c) Phase 1C

In February 2017, the MOHLTC and CAMH signed the Design Build Finance Maintain Agreement regarding the construction of two new buildings for the Phase 1C Client Care Building & Centre for Discovery and Knowledge Exchange Project. The MOHLTC committed capital funding of up to \$633 million to assist with the cost of the project. As at March 31, 2017, CAMH received \$21.6 million (2016 - \$21.6 million) from the MOHLTC for the planning and design phase of this project. To date, CAMH has incurred \$37.4 million (2016 - \$15.5 million) in capital costs, which are included as construction-in-progress in capital assets (note 5). CAMH recorded a long-term receivable from MOHLTC and the Foundation of \$17.5 million in fiscal 2017 (note 4). The remaining amount of funds received in advance for planning and design is included in the current restricted cash of \$1.7 million (2016 - \$6.1 million).

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

d) Redevelopment other

As at March 31, 2017, CAMH recorded a short-term receivable from the Foundation of \$2.97 million (note 4) for the funding of other projects such as Space Management and Clinical Information Solution (CIS) Phase 2.

7 Deferred capital contributions

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

	2017 \$	2016 \$
Balance - Beginning of year	369,246,802	371,139,272
Less: Amortization of deferred capital contributions	(16,244,599)	(15,157,434)
Add: Contributions restricted for capital purposes	26,068,955	13,264,964
	<hr/>	<hr/>
Balance - End of year	379,071,158	369,246,802

Included in the above balances are contributions of \$2,500,000 (2016 - \$10,769,618) received but not yet used to purchase capital assets (note 5).

Centre for Addiction and Mental Health

Notes to Financial Statements

March 31, 2017

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:

	2017 \$	2016 \$
Balance - Beginning of year	20,569,738	21,127,770
Amount received during the year	51,663,561	45,230,736
Amount recognized as revenue during the year	(48,910,903)	(45,788,768)
	<hr/>	<hr/>
Balance - End of year	23,322,396	20,569,738

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

	2017 \$	2016 \$
Salaries, wages and employee benefits	23,857,198	22,072,334
Supplies and other	24,862,581	23,454,379
	<hr/>	<hr/>
Total funds spent on research activities during the year	48,719,779	45,526,713

- 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:

	2017 \$	2016 \$
Balance - Beginning of year	8,315,972	1,927,868
Amount received during the year	40,281,656	37,986,557
Amount recognized as revenue during the year	(39,627,430)	(31,598,453)
	<hr/>	<hr/>
Balance - End of year	8,970,198	8,315,972

9 Employee benefit plans

a) Multi-employer pension plans

CAMH's contributions to HOOPP during the year amounted to \$15,094,246 (2016 - \$14,085,797) and are included in salaries, wages and employee benefits expense in the statement of operations. The most recent actuarial valuation for financial reporting purposes was completed by HOOPP as at December 31, 2016.

CAMH's contributions to the OPSEU Pension Plan during the year amounted to \$1,781,939 (2016 - \$2,218,084) and are included in salaries, wages and employee benefits expense in the statement of operations.

Centre for Addiction and Mental Health

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March 31, 2017

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, 2017.

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

	2017	2016
	\$	\$
Accrued benefit obligation	(1,462,900)	(1,982,400)
Unamortized actuarial (gain) loss	(407,200)	219,900
	<hr/>	<hr/>
Accrued benefit liability included in accounts payable and accrued liabilities	(1,870,100)	(1,762,500)

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

	2017	2016
	\$	\$
Current period benefit cost	149,900	150,500
Amortization of actuarial loss	20,700	24,300
Interest expense	62,100	55,900
	<hr/>	<hr/>
	232,700	230,700

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

	2017	2016
	%	%
Accrued benefit obligation		
Discount rate	3.00	2.75
Health-care cost trend rate	6.00	7.80
Ultimate health-care cost trend rate	4.50	5.00
Dental cost trend rate	2.75	4.00
Benefit expense		
Discount rate	3.10	3.00
Health-care cost trend rate	6.00	7.80
Ultimate health-care cost trend rate	4.50	5.00

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

	2017 \$	2016 \$
Employer contributions	125,100	115,200
Benefits paid	125,100	115,200

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 in support of CAMH priorities. The accounts of the Foundation are not included in these financial statements.

The Foundation granted \$16,657,011 (2016 - \$15,480,435) to fund capital projects, research projects and other operating activities. The balance due from the Foundation of \$9,551,475 (2016 - \$10,170,835) 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, 2017.

Since its inception in 1987, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income, less the obligation for claims reserves and expenses and operating expenses. Each subscriber that has an excess of premiums plus investment income over the obligation for its allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of its share of the unappropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There is no distribution receivable from HIROC as at March 31, 2017.

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12 Commitments

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

	\$
2018	2,915,435
2019	3,885,684
2020	3,373,272
2021	2,787,390
2022	2,610,176
Thereafter	<u>40,022,744</u>
	<u>55,594,701</u>

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

For commitments related to redevelopment see note 6(b).

13 Internally restricted net assets

Internally restricted net assets consist of the following:

	2017 \$	2016 \$
Internally funded capital assets	61,332,626	61,387,465
Amounts set aside by the Board of Trustees for site redevelopment, information technology and other capital projects	<u>23,118,386</u>	<u>17,765,550</u>
	<u>84,451,012</u>	<u>79,153,015</u>

During the year, the Board of Trustees approved a net transfer of \$5,297,997 (2016 - \$1,723,112) 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 and long-term payable.

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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/amortized cost
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.

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

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

Risk management

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

- Market risk

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

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- Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income investments and the long-term payable held by CAMH. A change in the interest rate would have no impact on the financial statements since the fixed income investments are measured at amortized cost and the 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. Patient receivables are \$600,882 as at March 31, 2017.

- 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.