

Centre for Addiction and Mental Health Foundation

Financial Statements
March 31, 2015



June 26, 2015

Independent Auditor's Report

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

We have audited the accompanying financial statements of the Centre for Addiction and Mental Health Foundation, which comprise the balance sheet as at March 31, 2015 and the statements of income, expenses and changes in fund balances and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Centre for Addiction and Mental Health Foundation as at March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Centre for Addiction and Mental Health Foundation

Balance Sheet

As at March 31, 2015

	2015 \$	2014 \$
Assets		
Current assets		
Cash	5,556,486	6,746,679
Accounts receivable	123,319	84,451
Prepaid expenses	72,369	151,719
	<u>5,752,174</u>	<u>6,982,849</u>
Investments (note 3)	76,281,657	58,601,882
Capital assets (note 4)	<u>93,547</u>	<u>123,952</u>
	<u>82,127,378</u>	<u>65,708,683</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	389,355	543,146
Due to the Centre for Addiction and Mental Health (note 9(b))	7,514,922	3,920,050
Deferred revenue	753,088	487,000
	<u>8,657,365</u>	<u>4,950,196</u>
Fund Balances		
Unrestricted	4,905,526	3,175,139
Restricted (note 5)	54,017,019	45,141,204
Endowed (note 6)	<u>14,547,468</u>	<u>12,442,144</u>
	<u>73,470,013</u>	<u>60,758,487</u>
	<u>82,127,378</u>	<u>65,708,683</u>

Approved by the Board of Directors



Director



Director

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

Centre for Addiction and Mental Health Foundation

Statement of Income, Expenses and Changes in Fund Balances

For the year ended March 31, 2015

	Unrestricted fund		Restricted fund		Endowed fund		Total	
	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$
Income								
Donations (note 9(c))	4,660,158	3,418,417	19,526,199	18,604,907	1,202,000	10,000	25,388,357	22,033,324
Bequests	46,085	35	8,923	78,980	-	-	55,008	79,015
Special events	1,456,473	1,271,301	232,602	208,497	-	-	1,689,075	1,479,798
	6,162,716	4,689,753	19,767,724	18,892,384	1,202,000	10,000	27,132,440	23,592,137
Investment income - net (note 6(c))	3,645,263	936,574	547,624	470,925	808,968	808,878	5,001,855	2,216,377
	9,807,979	5,626,327	20,315,348	19,363,309	2,010,968	818,878	32,134,295	25,808,514
Expenses								
Fundraising and administration	7,284,996	7,005,404	-	696	-	-	7,284,996	7,006,100
Special events	881,156	625,834	-	-	-	-	881,156	625,834
	8,166,152	7,631,238	-	696	-	-	8,166,152	7,631,934
Excess (deficiency) of income over expenses before grants	1,641,827	(2,004,911)	20,315,348	19,362,613	2,010,968	818,878	23,968,143	18,176,580
Grants to the Centre for Addiction and Mental Health (note 7(a))	181,951	1,042,595	10,802,497	7,338,867	-	-	10,984,448	8,381,462
Grants to other qualified donees (note 7(b))	-	-	272,169	419,286	-	-	272,169	419,286
Excess (deficiency) of income over expenses for the year	1,459,876	(3,047,506)	9,240,682	11,604,460	2,010,968	818,878	12,711,526	9,375,832
Fund balances - Beginning of year	3,175,139	6,572,645	45,141,204	34,289,306	12,442,144	10,520,704	60,758,487	51,382,655
Interfund transfers (note 8)	270,511	(350,000)	(364,867)	(752,562)	94,356	1,102,562	-	-
Fund balances - End of year	4,905,526	3,175,139	54,017,019	45,141,204	14,547,468	12,442,144	73,470,013	60,758,487

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

Centre for Addiction and Mental Health Foundation

Statement of Cash Flows

For the year ended March 31, 2015

	2015 \$	2014 \$
Cash provided by (used in)		
Operating activities		
Excess of income over expenses for the year	12,711,526	9,375,832
Item not involving cash		
Amortization of capital assets	65,957	73,680
Net changes in non-cash working capital balances relating to operations		
Accounts receivable	(38,868)	286,126
Prepaid expenses	79,350	(61,254)
Accounts payable and accrued liabilities	(153,791)	347,300
Due to the Centre for Addiction and Mental Health	3,594,872	738,692
Deferred revenue	266,088	137,635
Reinvested investment income	(4,941,775)	(2,204,716)
	<hr/> 11,583,359	<hr/> 8,693,295
Investing activities		
Purchase of investments - net	(12,738,000)	(17,540,435)
Additions to capital assets	(35,552)	(13,484)
	<hr/> (12,773,552)	<hr/> (17,553,919)
Decrease in cash during the year	(1,190,193)	(8,860,624)
Cash - Beginning of year	<hr/> 6,746,679	<hr/> 15,607,303
Cash - End of year	<hr/> <hr/> 5,556,486	<hr/> <hr/> 6,746,679

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

Centre for Addiction and Mental Health Foundation

Notes to Financial Statements

March 31, 2015

1 Purpose of the organization

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

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

2 Summary of significant accounting policies

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

Fund accounting

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

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

- Unrestricted fund

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

- Restricted fund

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

- Endowed fund

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

Centre for Addiction and Mental Health Foundation

Notes to Financial Statements

March 31, 2015

Revenue recognition

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

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

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

Grants

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

Financial instruments

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

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

Contributed goods and services

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

Pension funds

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

Centre for Addiction and Mental Health Foundation

Notes to Financial Statements

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Capital assets

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

Equipment and furniture	5 years
Software	4 years

3 Investments

Investments consist of the following:

	2015 \$	2014 \$
Canadian Money Market Fund	6,010,315	11,252,229
Canadian Fixed Income Fund	50,633,946	40,703,682
Canadian Equity Fund	8,793,388	3,023,111
US Equity Fund	5,404,595	1,826,213
International Equity Fund	5,439,413	1,796,647
	<u>76,281,657</u>	<u>58,601,882</u>

The investments held for the endowed fund have the following mix: equities - 56% (2014 - 56%) and bonds - 44% (2014 - 44%).

4 Capital assets

Capital assets consist of the following:

	<u>2015</u>		<u>2014</u>	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Equipment and furniture	142,561	87,457	55,104	88,189
Software	50,908	12,465	38,443	35,763
	<u>193,469</u>	<u>99,922</u>	<u>93,547</u>	<u>123,952</u>

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5 Restricted fund

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

	2015 \$	2014 \$
Externally restricted		
Redevelopment and related properties	10,682,637	8,295,451
Research	24,828,240	25,118,542
Programs	18,458,880	11,629,699
	<hr/>	<hr/>
	53,969,757	45,043,692
Board designated	47,262	97,512
	<hr/>	<hr/>
	54,017,019	45,141,204

6 Endowed fund

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

	2015 \$	2014 \$
Funds externally restricted for endowment purposes, income from which must be used for a restricted purpose	13,164,897	11,154,930
Externally restricted funds limited for endowment purposes by the board of directors	1,382,571	1,287,214
	<hr/>	<hr/>
	14,547,468	12,442,144

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

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

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The Foundation determined that a contribution in the prior year of \$1,000,000 included in the restricted fund was intended for endowed fund. The prior year fund balances have been adjusted to reflect the appropriate classification.

- c) Investment income of \$1,303,799 (2014 - \$1,279,664) was earned on investments held for the endowed fund. An amount of \$903,324 (2014 - \$911,440) was allocated for preservation of capital. Of this amount, \$808,968 (2014 - \$808,878) relating to externally endowed funds was recorded as investment income in the endowed fund and \$94,356 (2014 - \$102,562) relating to board endowed restricted funds was recorded as investment income in the restricted fund. An amount equal to the preservation of capital recorded in the restricted fund and unrestricted fund was transferred to the endowed fund. The amount of \$400,475 (2014 - \$368,225) made available for spending calculated in accordance with the Foundation's endowed fund policy was recorded as investment income in the unrestricted and restricted funds.

7 Grants

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

	Unrestricted fund		Restricted fund	
	2015 \$	2014 \$	2015 \$	2014 \$
Education	-	-	493,191	1,187,592
Programs	33,500	7,059	1,090,840	890,875
Public awareness	55,482	1,025,652	-	150,000
Research	68,969	9,884	5,936,416	3,662,857
Redevelopment projects	-	-	3,282,050	1,447,543
Other	24,000	-	-	-
	<u>181,951</u>	<u>1,042,595</u>	<u>10,802,497</u>	<u>7,338,867</u>

- b) Grants to other qualified donees amounted to \$272,169 (2014 - \$419,286). Grants to other qualified donees included grants to the Women's College Hospital Foundation to support women's mental health research and to the Hospital for Sick Children Foundation to support child and youth mental health - priorities undertaken in collaboration with CAMH.

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8 Interfund transfers

Transfers between funds consist of the following:

	Unrestricted fund		Restricted fund		Endowed fund	
	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$
Board and donor approved re: fund restrictions	-	(350,000)	-	(650,000)	-	1,000,000
General support cost allocation in accordance with board policy (note 2)	270,511	-	(270,511)	-	-	-
Allocation of investment income in accordance with board policy (note 6(c))	-	-	(94,356)	(102,562)	94,356	102,562
	<u>270,511</u>	<u>(350,000)</u>	<u>(364,867)</u>	<u>(752,562)</u>	<u>94,356</u>	<u>1,102,562</u>

9 Related party transactions

- CAMH is an independent corporation without share capital and has an independent board of directors. CAMH is affiliated with the Foundation as a result of common board members between the two organizations. CAMH provides certain services to the Foundation and pays some expenses on behalf of the Foundation. CAMH also provides payroll processing and charged the Foundation for employee costs in the amount of \$5,021,653 (2014 - \$4,371,747).
- The amount due to CAMH is payable on demand, is non-interest bearing and consists of two components: grants that have not been disbursed to CAMH and operating expenses incurred by the Foundation that have not been repaid to CAMH.
- Contributed capital assets, goods and services with a value of \$231,530 (2014 - \$906,420) are included in donations revenue and grants to CAMH.

Centre for Addiction and Mental Health Foundation

Notes to Financial Statements

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10 Financial instruments

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

Market risk

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

Currency risk

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

Interest rate risk

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

Credit risk

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