

Centre for Addiction and Mental Health Foundation

Financial Statements
March 31, 2019



Independent auditor's report

To the Members of Centre for Addiction and Mental Health Foundation

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Centre for Addiction and Mental Health Foundation as at March 31, 2019 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.

What we have audited

Centre for Addiction and Mental Health Foundation's financial statements comprise:

- the statement of financial position as at March 31, 2019;
 - the statement of income, expenses and changes in fund balances for the year then ended;
 - the statement of cash flows for the year then ended; and
 - the notes to the financial statements, which include a summary of significant accounting policies.
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Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of Centre for Addiction and Mental Health Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



In preparing the financial statements, management is responsible for assessing Centre for Addiction and Mental Health Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Centre for Addiction and Mental Health Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Centre for Addiction and Mental Health Foundation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Centre for Addiction and Mental Health Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Centre for Addiction and Mental Health Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or



conditions may cause Centre for Addiction and Mental Health Foundation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
June 14, 2019


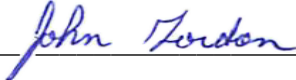
Centre for Addiction and Mental Health Foundation

Statement of Financial Position

As at March 31, 2019

	2019 \$	2018 \$
Assets		
Current assets		
Cash	14,427,535	8,371,266
Accounts receivable	250,111	134,046
Prepaid expenses	85,720	137,271
	<u>14,763,366</u>	<u>8,642,583</u>
Investments (note 3)	192,774,443	160,399,855
Capital assets (note 4)	<u>109,987</u>	<u>161,912</u>
	<u>207,647,796</u>	<u>169,204,350</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	978,297	986,765
Due to the Centre for Addiction and Mental Health (note 9(b))	11,355,261	10,290,974
Deferred revenue	897,395	12,713,409
	<u>13,230,953</u>	<u>23,991,148</u>
Fund Balances		
Unrestricted	15,482,722	10,162,299
Restricted (note 5)	146,829,666	106,355,507
Endowed (note 6)	<u>32,104,455</u>	<u>28,695,396</u>
	<u>194,416,843</u>	<u>145,213,202</u>
	<u>207,647,796</u>	<u>169,204,350</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, 2019

	Unrestricted fund			Restricted fund			Endowed fund			Total	
	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$	
Income											
Donations (note 9(c))	7,971,466	7,352,006	57,963,316	42,710,279	2,166,000	1,285,000	68,100,782	51,347,285			
Bequests	138,256	38,567	10,000	30,465	-	-	148,256	69,032			
Special events	2,583,863	2,259,132	4,092,758	369,368	-	-	6,676,621	2,628,500			
Investment income (loss) – net (note 3)	10,693,585	9,649,705	62,066,074	43,110,112	2,166,000	1,285,000	74,925,659	54,044,817			
	8,511,982	2,603,809	585,933	561,676	51,553	(215,544)	9,149,468	2,949,941			
	19,205,567	12,253,514	62,652,007	43,671,788	2,217,553	1,069,456	84,075,127	56,994,758			
Expenses											
Fundraising and administration	13,053,104	13,034,962	-	-	-	-	13,053,104	13,034,962			
Special events	1,060,074	588,550	-	-	-	-	1,060,074	588,550			
	14,113,178	13,623,512	-	-	-	-	14,113,178	13,623,512			
Excess (deficiency) of income over expenses before grants	5,092,389	(1,369,998)	62,652,007	43,671,788	2,217,553	1,069,456	69,961,949	43,371,246			
Grants to the Centre for Addiction and Mental Health (note 7(a))	2,056,597	723,786	18,368,389	14,400,709	-	-	20,424,986	15,124,495			
Grants to other qualified donees (note 7(b))	-	-	333,322	10,000	-	-	333,322	10,000			
Excess (deficiency) of income over expenses for the year	3,035,792	(2,093,784)	43,950,296	29,261,079	2,217,553	1,069,456	49,203,641	28,236,751			
Fund balances – Beginning of year	10,162,299	11,570,056	106,355,507	77,790,158	28,695,396	27,616,237	145,213,202	116,976,451			
Interfund transfers (note 8)	2,284,631	686,027	(3,476,137)	(695,730)	1,191,506	9,703	-	-			
Fund balances – End of year	15,482,722	10,162,299	146,829,666	106,355,507	32,104,455	28,695,396	194,416,843	145,213,202			

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, 2019

	2019 \$	2018 \$
Cash provided by (used in)		
Operating activities		
Excess of income over expenses for the year	49,203,641	28,236,751
Items not involving cash		
Amortization of capital assets	54,087	56,841
Revenue recognized for donated securities	(33,343,888)	(25,848,416)
Change in fair value of foreign currency derivative	-	36,244
Change in fair value of investments	1,256,419	755,531
Reinvested investment income	(7,530,007)	(3,737,771)
Gain on sale of shares in private company	(3,023,040)	-
Foreign exchange (gain) loss on investment in private company	(134,300)	344,250
Net changes in non-cash working capital balances relating to operations		
Accounts receivable	(116,065)	291,685
Prepaid expenses	51,551	(44,188)
Accounts payable and accrued liabilities	(8,468)	394,834
Due to the Centre for Addiction and Mental Health	1,064,287	734,334
Deferred revenue	(2,848)	(91,242)
	<u>7,471,369</u>	<u>1,128,853</u>
Investing activities		
Purchase of investments	(37,060,900)	(39,683,761)
Proceeds from sale of donated securities	21,530,722	37,661,582
Proceeds from sale of private company shares	14,117,240	-
Purchase of capital assets	(2,162)	(73,006)
	<u>(1,415,100)</u>	<u>(2,095,185)</u>
Change in cash during the year	6,056,269	(966,332)
Cash – Beginning of year	<u>8,371,266</u>	<u>9,337,598</u>
Cash – End of year	<u>14,427,535</u>	<u>8,371,266</u>
Non cash transaction		
Donation of investments recorded as deferred revenue in fiscal 2018 and recorded as revenue in fiscal 2019	11,813,166	11,813,166

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

Centre for Addiction and Mental Health Foundation

Notes to Financial Statements

March 31, 2019

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 (CAMH), 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 accounting standards for not-for-profit organizations (ASNPO) 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 that is a reinvestment in Foundation support. 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, 2019

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 income distributions from mutual and pooled funds and fair value changes in investments. 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.

Deferred revenue

Deferred revenue represents amounts received for special events that have not yet occurred, as well as restricted donations received for which the specific restriction has not been finalized with the donor(s).

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. When fair value is not determinable, investments are subsequently recorded at cost, net of any provisions for impairment.

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.

Foreign currency translation

Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at the transaction date. Investments and other monetary items denominated in foreign currencies are translated at the year-end rate. Translation gains and losses are included in the statement of income, expenses and changes in fund balances.

Centre for Addiction and Mental Health Foundation

Notes to Financial Statements

March 31, 2019

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.

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

Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

3 Investments

Investments consist of the following:

	2019 \$	2018 \$
Cash	76,626	117,114
Canadian Money Market Fund	31,259,943	41,361,975
Canadian Fixed Income Fund	96,697,766	77,366,367
International Fixed Income Fund	6,782,527	1,807,867
Canadian Equity Fund	15,920,601	7,715,490
International Equity Fund	42,036,980	21,071,142
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Shares in private company	192,774,443	149,439,955
	-	10,959,900
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	192,774,443	160,399,855

The investments held for the endowed fund consist of the following: equities – 61% (2018 – 66%) and bonds – 39% (2018 – 34%).

Centre for Addiction and Mental Health Foundation

Notes to Financial Statements

March 31, 2019

The investment income consists of:

	2019 \$	2018 \$
Interest and dividends income	8,174,956	4,759,453
Realized gains (losses) on disposal of securities	3,087,596	(10,030)
Change in fair value of investments	(1,256,419)	(1,136,025)
	<hr/>	<hr/>
Investment income before fees	10,006,133	3,613,398
Investment management fees	(856,665)	(663,457)
	<hr/>	<hr/>
	9,149,468	2,949,941
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4 Capital assets

Capital assets consist of the following:

	<hr/>		2019	<hr/>		2018
	Cost \$	Accumulated amortization \$	Net \$	Net \$		Net \$
Equipment and furniture	138,007	62,934	75,073			100,770
Software	87,535	52,621	34,914			61,142
	<hr/>	<hr/>	<hr/>			<hr/>
	225,542	115,555	109,987			161,912
	<hr/>	<hr/>	<hr/>			<hr/>

5 Restricted fund

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

	2019 \$	2018 \$
Externally restricted		
Redevelopment and related properties	27,568,247	20,080,271
Research	104,278,950	70,926,400
Programs	14,969,177	15,335,544
	<hr/>	<hr/>
	146,816,374	106,342,215
Board designated	13,292	13,292
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	146,829,666	106,355,507
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Centre for Addiction and Mental Health Foundation

Notes to Financial Statements

March 31, 2019

6 Endowed fund

- a) The major categories of the endowed fund balance are as follows:

	2019 \$	2018 \$
Funds externally restricted for endowment purposes, income from which must be used for a restricted purpose	18,534,948	16,317,396
Externally restricted funds limited for endowment purposes by the Board of Directors	2,418,011	1,418,100
Unrestricted funds restricted for endowment purposes by the Board of Directors	11,151,496	10,959,900
	<u>32,104,455</u>	<u>28,695,396</u>

- b) The Foundation has a policy designed to protect the real value of endowments by limiting the amount of net 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 net 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.

- c) The preservation of capital and spending allocation, calculated in accordance with the Foundation's endowed fund policy, is as follows:

	2019 \$	2018 \$
Preservation of capital		
Externally endowed funds	51,553	128,706
Board endowed restricted funds	(90)	9,703
Board endowed unrestricted funds	191,596	-
	<u>243,059</u>	<u>138,409</u>
Spending allocation	655,742	570,923
	<u>898,801</u>	<u>709,332</u>

Centre for Addiction and Mental Health Foundation

Notes to Financial Statements

March 31, 2019

7 Grants

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

	Unrestricted fund		Restricted fund	
	2019 \$	2018 \$	2019 \$	2018 \$
Education Programs	-	-	956,269	1,342,794
Public awareness	147,722	-	2,854,475	1,201,499
Research	1,818,035	505,597	100,000	522,486
Capital and redevelopment	90,840	218,189	12,819,277	10,679,086
	-	-	1,638,368	654,844
	<u>2,056,597</u>	<u>723,786</u>	<u>18,368,389</u>	<u>14,400,709</u>

b) Grants to other qualified donees amounted to \$333,322 (2018 – \$10,000). Grants to other qualified donees included grants to the Hospital for Sick Children Foundation to support child and youth mental health priorities undertaken in collaboration with CAMH and to FoodShare Toronto to support the Sunshine Garden, a partnership with CAMH.

8 Interfund transfers

Transfers between funds consist of the following:

	Unrestricted fund		Restricted fund		Endowed fund	
	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$
Board and donor approved re: fund restrictions	(26,000)	-	(974,000)	-	1,000,000	-
Reinvestment in Foundation support in accordance with board policy (note 2)	2,502,227	686,027	(2,502,227)	(686,027)	-	-
Allocation of investment income in accordance with board policy (note 6(c))	(191,596)	-	90	(9,703)	191,506	9,703
	<u>2,284,631</u>	<u>686,027</u>	<u>(3,476,137)</u>	<u>(695,730)</u>	<u>1,191,506</u>	<u>9,703</u>

Centre for Addiction and Mental Health Foundation

Notes to Financial Statements

March 31, 2019

9 Related party transactions

- a) 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 \$7,026,784 (2018 – \$7,091,154).
- b) 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.
- c) Contributed capital assets, goods and services with a value of \$343,537 (2018 – \$664,138) are included in donations revenue and grants to CAMH.

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.

Centre for Addiction and Mental Health Foundation

Notes to Financial Statements

March 31, 2019

Credit risk

The Foundation is exposed to credit risk in connection with its short-term and fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation. To manage this risk, the Foundation has an investment policy, which includes a target mix of investment types and concentration limits designed to achieve the optimum return within reasonable risk tolerances. In addition, the amounts receivable consist solely of Canadian harmonized sales tax, which is recoverable from the Canada Revenue Agency, and the risk is considered to be minimal given that the amount is due from the Canadian government.

11 Comparative figures

Certain comparative figures within the statement of cash flows have been reclassified to conform to the current year's presentation. In particular, revenue recognized from donated securities of \$25,848,416 has been included as an adjustment in operating activities with a corresponding amount added to the proceeds from disposition of investments in investing activities. In addition, change in fair value of investments of \$755,531 has been included as an adjustment in operating activities with a corresponding amount deducted to the reinvested investment income. The donation of investments recorded as deferred revenue in prior year of \$11,813,166 has been reclassified as a non-cash transaction and deducted from the net change in deferred revenue.