Centre for Addiction and Mental Health

Financial Statements
March 31, 2019
(in thousands of dollars)

Independent auditor's report

To the Board of Trustees of Centre for Addiction and Mental Health

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 as at March 31, 2019 and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited
The Centre for Addiction and Mental Health's financial statements comprise:

- the statement of financial position as at March 31, 2019;
- the statement of operations for the year then ended;
- the statement of changes in net assets 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.

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 the Centre for Addiction and Mental Health 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 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.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca

In preparing the financial statements, management is responsible for assessing the Centre for Addiction and Mental Health'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 the Centre for Addiction and Mental Health or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Centre for Addiction and Mental Health'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 the Centre for Addiction and Mental Health'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 the Centre for Addiction and Mental Health'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 the Centre for Addiction and Mental Health 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 7, 2019

Centre for Addiction and Mental Health

Statement of Financial Position

As at March 31, 2019

(in thousands of dollars)

	2019 $	2018 $
Assets		
Current assets		
Cash	36,439	40,557
Restricted cash and cash equivalents (note 3)	72,581	7,643
Accounts receivable	45,798	30,300
Due from Ministry of Health and Long-Term Care, Redevelopment Project (note 3)	22,500	33,534
Inventories	1,288	1,196
Prepaid expenses	2,846	1,845
	181,452	115,075
Restricted cash and cash equivalents (note 3)	3,147	3,207
Long-term receivable (note 3)	167,676	114,462
Investments (note 4)	47,879	47,115
Capital assets (note 5)	611,614	471,558
	1,011,768	751,417
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	61,281	57,419
Current portion of long-term payable (note 3)	84,905	32,192
	146,186	89,611
Deferred contributions related to research funds (note 7(a))	29,199	26,283
Other deferred contributions (note 7(b))	12,490	10,426
Long-term payable (note 3)	173,871	116,631
Deferred capital contributions (note 6)	557,365	418,432
	919,111	661,383
Net Assets		
Investment in capital assets	60,967	60,451
Internally restricted	31,690	29,583
Unrestricted	-	-
	92,657	90,034
	1,011,768	751,417

Approved by the Board of Directors

Chair, Board of Trustees

Chair, Audit, Finance and 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, 2019

(in thousands of dollars)

	2019 $	2018 $
Revenue		
Ministry of Health and Long-Term Care/Toronto Central Local Health Integration Network (note 7(b))	345,393	325,006
Patient revenue	3,218	3,511
Research and other grants (notes 7(a) and 9)	63,791	55,158
Ancillary and other	25,350	22,673
Amortization of deferred capital contributions (note 6)	18,284	17,245
Investment income	1,428	940
	457,464	424,533
Expenses		
Compensation (note 7(a))	319,205	299,355
Supplies and other (note 7(a))	91,684	80,298
Depreciation	26,452	25,050
Rent	3,715	2,594
Drugs and medical supplies	6,191	3,956
Interest (note 3(b))	7,594	7,697
	454,841	418,950
Excess of revenue over expenses for the year	2,623	5,583

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, 2019

(in thousands of dollars)

	Investment in capital assets $	Internally restricted $	Unrestricted $	2019 Total $	2018 Total $
Net assets – Beginning of year	60,451	29,583	-	90,034	84,478
Excess of revenue over expenses for the year	-	-	2,623	2,623	5,583
Acquisition of capital assets	166,508	(166,508)	-	-	-
Deferred capital contributions received	(157,824)	157,824	-	-	-
Depreciation of capital assets	(26,452)	26,452	-	-	-
Amortization of deferred capital contributions	18,284	(18,284)	-	-	-
Interfund transfer (note 10)	-	2,623	(2,623)	-	(27)
Net assets – End of year	60,967	31,690	-	92,657	90,034

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, 2019

(in thousands of dollars)

	2019 $	2018 $
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	2,623	5,583
Add (deduct): Items not affecting cash		
Depreciation	26,452	25,050
Amortization of deferred capital contributions	(18,284)	(17,245)
Investment income reinvested	(1,102)	(1,434)
Amortization of premium on investment in bonds	338	395
Loss on disposal of capital assets	627	119
	10,654	12,468
Net change in non-cash working capital balances		
Accounts receivable	(9,678)	(2,790)
Inventories	(92)	744
Prepaid expenses	(1,001)	(122)
Accounts payable and accrued liabilities	3,862	(1,211)
Net change in deferred contributions related to research funds	2,916	2,961
Net change in other deferred contributions	2,064	1,456
	8,725	13,506
Investing activities		
Increase in restricted cash and cash equivalents	(64,878)	(5,767)
Financing activities		
Contributions received restricted for capital purposes	109,398	18,510
Principal repayment of long-term payable	(32,373)	(1,195)
	77,025	17,315
Capital activities		
Purchase of capital assets	(24,990)	(20,287)
Change in cash during the year	(4,118)	4,767
Cash – Beginning of year	40,557	35,790
Cash – End of year	36,439	40,557
Non-cash transactions		
Due from Ministry of Health and Long-Term Care related to deferred capital contributions recorded	47,819	38,096
Financing acquisition of capital assets	142,326	38,532

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

(in thousands of dollars, except where otherwise noted)

1 Operations

The Centre for Addiction and Mental Health (CAMH) is a specialty psychiatric hospital located on two primary sites in Toronto. CAMH is dedicated to providing clinical care and recovery, research and education in connection with addiction and mental health. The organization also plays a significant role in policy development and support in Ontario's mental health and addictions system.

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 outlined below.

Basis of presentation

These financial statements include the assets, liabilities and activities of CAMH. These financial statements do not include the activities of the Centre for Addiction and Mental Health Foundation (CAMH Foundation or the Foundation), a non-controlled affiliated entity (note 9).

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.

(in thousands of dollars, except where otherwise noted)

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 – 10 years

CAMH reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable and exceeds its fair value. The impairment loss, if any, is the excess of the carrying value over the fair value.

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.

Internally restricted net assets

The Board of Trustees internally restricts net assets, from unrestricted funds, to be used for specific purposes including capital projects.

(in thousands of dollars, except where otherwise noted)

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. As a result, HOOPP 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 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 costs from plan amendments are expensed when the amendment takes effect.

  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.

All investments except for bonds are reported at fair value. All investment transactions are recorded on a trade date basis. 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 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.

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.

(in thousands of dollars, except where otherwise noted)

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/TCLHIN 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/TCLHIN for the year ended March 31, 2019. 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/TCLHIN has the right to adjust funding received by CAMH. The MOHLTC/TCLHIN 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/TCLHIN 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 Redevelopment project

CAMH is undertaking a multi-phase project to transform its 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 two main sites into a newly 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.

The breakdown of long-term payable by phases of the redevelopment project is as follows:

	2019 $	2018 $
Phase 1B	91,481	92,776
Phase 1C	167,295	56,047
Phase 1D	-	-
	258,776	148,823
Less: Current portion of long-term payable	84,905	32,192
Long-term payable	173,871	116,631

(in thousands of dollars, except where otherwise noted)

The breakdown of MOHLTC accounts receivable related to the Project by phases of the redevelopment project is as follows:

	2019 $	2018 $
Phase 1A	1,341	1,341
Phase 1B	90,696	91,974
Phase 1C	91,019	53,568
Phase 1D	-	-
	183,056	146,883
Less: Long-term receivable from MOHLTC	160,556	113,349
Due from MOHLTC – redevelopment project	22,500	33,534

a) Phase 1A

Phase 1A of the Project was completed with a total cost of $34.8 million. As at March 31, 2019, all funding for this phase of the Project has been received, except for the final payment of $1.3 million (2018 – $1.3 million) receivable from the MOHLTC.

b) Phase 1B

In December 2009, CAMH entered into a project agreement with a third party construction company, CHS (CAMH) Partnership, to design, build, finance and maintain (for a 30-year term) the buildings constructed as part of Phase 1B. The balance of the principal amount due to CHS (CAMH) Partnership of $91.5 million is related to the construction of the buildings and bears interest at 7.8%, repayable in blended monthly instalments of $0.73 million, and matures on May 31, 2042. In addition, the balance of operating and lifecycle maintenance services costs of $125.3 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 $
2020	1,404	7,345	2,804	418
2021	1,522	7,227	2,857	609
2022	1,650	7,099	2,912	544
2023	1,788	6,961	2,967	1,226
2024	1,938	6,811	3,023	1,587
Thereafter	83,179	75,760	66,165	40,170
	91,481	111,203	80,728	44,554

During the year ended March 31, 2019, interest expense of $7.6 million (2018 – $7.7 million) was included in the statement of operations.

(in thousands of dollars, except where otherwise noted)

As at March 31, 2019, CAMH has received amounts from the MOHLTC and the Foundation in connection with funding capital costs and interest of Phase 1B of the Project and has recorded amounts receivable. A long-term receivable of $87.9 million (2018 – $89.3 million) and short-term receivable of $2.8 million (2018 – $2.7 million) from the MOHLTC have been recorded in connection with committed capital funding to be received. The amounts received and receivable to date are included in deferred capital contributions (note 6).

The Project agreement with the MOHLTC requires CAMH to deposit any cash received to fund amounts due to CHS (CAMH) Partnership in a restricted bank account. As at March 31, 2019, there are funds received in advance of $3.1 million (2018 – $3.2 million) in long-term restricted cash and cash equivalents and $0.5 million (2018 – $0.3 million) in current restricted cash and cash equivalents. The classification is based on whether the funds are to be used to fund the current or long-term amount due to CHS (CAMH) Partnership.

The agreement with CHS (CAMH) Partnership requires that it provide certain operating and maintenance services to May 31, 2042. The remaining total cost of these services is estimated to be $80.7 million. These costs will be substantially funded by the MOHLTC on an annual basis and payments received are included in MOHLTC revenue in the statement of operations.

During the year ended March 31, 2019, operating and maintenance costs of $2.4 million (2018 – $2.6 million) were included in supplies and other expenses in the statement of operations. In addition, CAMH is committed to making total payments of approximately $44.6 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 also included in MOHLTC revenue in the statement of operations.

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, 2019, CAMH received $128.9 million (2018 – $28.7 million) from the MOHLTC and has incurred $227.5 million (2018 – $78.7 million) in capital costs, which are included as construction-in-progress in capital assets (note 5). As at March 31, 2019, CAMH recorded a long-term receivable of $79.7 million (2018 – $25.1 million) and a short-term receivable of $25.8 million from MOHLTC and the Foundation. The remaining amount of funds received in advance for Phase 1C of $71.7 million (2018 – $6.2 million) is included in the current restricted cash and cash equivalents.

In March 2017, CAMH entered into a project agreement with a third party construction company, Plenary Health Phase 1C LP, 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. The agreement stipulates that $112.5 million is to be paid monthly between February 2019 to March 2020 and the remaining commitment will be repaid over 30 years. As at March 31, 2019, CAMH recorded a long-term payable of $83.8 million (2018 – $25.1 million) and a short-term payable of $83.5 million (2018 – $30.9 million).

(in thousands of dollars, except where otherwise noted)

d) Phase 1D

On August 1, 2017, the MOHLTC confirmed one-time capital funding of up to $2.5 million to assist CAMH with the costs of completing the early capital planning stage requirements for the proposed Phase 1D Redevelopment Project. On August 28, 2017, the MOHLTC and CAMH signed the Planning Agreement. CAMH has incurred $5.6 million (2018 – $2.1 million) in capital costs, which are included as construction-in-progress in capital assets (note 5).

e) Redevelopment –other

As at March 31, 2019, CAMH recorded a short-term receivable from the Foundation of $3.7 million (2018 – $3.0 million) for the funding of other projects such as Space Management and Clinical Information Solution (CIS) Phase 2.

Funding received from other sources for other redevelopment projects totalled $35.7 million, of which $0.4 million (2018 – $0.6 million) is included in the current restricted cash and cash equivalents.

4 Investments

Investments consist of the following:

	2019 $	2018 $
Guaranteed Investment Certificates	13,753	13,850
Notes	15,464	-
Bonds	17,976	32,680
Other	686	585
	47,879	47,115

As at March 31, 2019, Guaranteed Investment Certificates have an average term to maturity of 0.56 years (2018 – 0.52 years), notes have an average term to maturity of 0.18 years (2018 – nil), bonds have an average term to maturity of 0.41 years (2018 – 0.85 years) and the investments portfolio has an average yield of 1.99% (2018 – 1.17%).

(in thousands of dollars, except where otherwise noted)

5 Capital assets

Capital assets consist of the following:

			2019
	Cost $	**Accumulated depreciation** $	**Net** $
Land	9,101	-	9,101
Buildings	65,873	32,947	32,926
Equipment and furniture	141,809	89,054	52,755
Site redevelopment (note 3)			
Buildings	345,368	74,104	271,264
Equipment and furniture	31,073	18,424	12,649
Construction-in-progress	232,919	-	232,919
	826,143	214,529	611,614

			2018
	Cost $	**Accumulated depreciation** $	**Net** $
Land	9,101	-	9,101
Buildings	59,978	29,537	30,441
Equipment and furniture	135,564	79,933	55,631
Site redevelopment (note 3)			
Buildings	345,224	64,680	280,544
Equipment and furniture	30,891	15,861	15,030
Construction-in-progress	80,811	-	80,811
	661,569	190,011	471,558

Construction-in-progress consists primarily of Phase 1C of the redevelopment project (note 3(c)).

During the year, CAMH wrote off assets with a cost of $2.6 million (2018 – $12.9 million) and an accumulated depreciation of $1.9 million (2018 – $12.8 million) at a net loss on disposal of $0.6 million.

6 Deferred capital contributions

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

	2019 $	**2018** $
Balance – Beginning of year	418,432	379,071
Less: Amortization of deferred capital contributions	(18,284)	(17,245)
Add: Contributions restricted for capital purposes	157,217	56,606
Balance – End of year	557,365	418,432

(in thousands of dollars, except where otherwise noted)

Included in the above balances are contributions of $6.7 million (2018 – $7.3 million) received but not yet used to purchase capital assets (note 5).

7 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:

	2019 $	2018 $
Balance – Beginning of year	26,283	23,322
Amount received during the year	63,127	55,911
Amount recognized as revenue during the year	(60,211)	(52,950)
Balance – End of year	29,199	26,283

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

	2019 $	2018 $
Compensation	30,134	26,782
Supplies and other	29,959	25,995
Total funds spent on research activities during the year	60,093	52,777

b) Other deferred contributions represent unspent externally restricted funding for various programs. The changes in the other deferred contributions balance are as follows:

	2019 $	2018 $
Balance – Beginning of year	10,426	8,970
Amount received during the year	37,154	40,628
Amount recognized during the year	(35,090)	(39,172)
Balance – End of year	12,490	10,426

8 Employee benefit plans

a) Multi-employer pension plans

CAMH’s contributions to HOOPP during the year amounted to $17.4 million (2018 – $16.4 million) and are included in compensation expense in the statement of operations. The most recent actuarial valuation for financial reporting purposes was completed by HOOPP as at March 31, 2017.

CAMH’s contributions to the OPSEU Pension Plan during the year amounted to $1.48 million (2018 – $1.7 million) and are included in compensation expense in the statement of operations.

(in thousands of dollars, except where otherwise noted)

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:

	2019 $	2018 $
Accrued benefit obligation	1,616	1,518
Unamortized actuarial gain	314	383
Accrued benefit liability included in accounts payable and accrued liabilities	1,930	1,901

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

	2019 $	2018 $
Current period benefit cost	108	105
Amortization of actuarial gain	(24)	(24)
Interest expense	49	47
	133	128

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

	2019 %	2018 %
Accrued benefit obligation		
Discount rate	2.80	3.10
Health-care cost trend rate	6.00	6.00
Ultimate health-care cost trend rate	4.50	4.50
Dental cost trend rate	2.75	2.75
Benefit expense		
Discount rate	3.10	3.10
Health-care cost trend rate	6.00	6.00
Ultimate health-care cost trend rate	4.50	4.50

(in thousands of dollars, except where otherwise noted)

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

	2019 $	2018 $
Employer contributions	104	97
Benefits paid	104	97

9 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 $20.6 million (2018 – $15.1 million) to fund capital projects, research projects and other operating activities. The balance due from the Foundation of $14.1 million (2018 – $12.8 million) is comprised of grants receivable and reimbursement of operating expenses paid by CAMH on behalf of the Foundation. 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.

10 Interfund transfer

During the year, the Board of Trustees approved a net transfer of $2.6 million (2018 – $5.6 million) from unrestricted to internally restricted net assets for strategic initiatives.

11 Contingencies

i) From time to time, CAMH is named in lawsuits related to its activities. Where the potential liability can be estimated, management believes the ultimate resolution will not have a material effect on the financial statements. In other cases, due to stage of the claim, it is not possible to estimate the possible financial liability. Accordingly, no material provisions have been made for loss in these financial statements.

ii) CAMH is a member in the Healthcare Insurance Reciprocal of Canada (HIROC). HIROC is a pooling of the public liability insurance risks of its hospital members. All members of the HIROC pool pay annual premiums, 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, 2019.

(in thousands of dollars, except where otherwise noted)

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 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, 2019.

12 Commitments

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

	$
2020	3,714
2021	3,131
2022	2,760
2023	2,447
2024	2,391
Thereafter	26,505
	40,948

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

For commitments related to redevelopment projects, refer to note 3.

13 Financial instruments

CAMH's financial instruments are measured as follows:

Assets/liabilities	**Measurement category**
Cash	fair value
Restricted cash and cash equivalents	fair value
Accounts receivable	amortized cost
Due from Ministry of Health and Long-Term Care, Redevelopment Project	amortized cost
Investments	fair value/amortized cost
Long-term receivable	amortized cost
Accounts payable and accrued liabilities	amortized cost
Long-term payable	amortized cost

(in thousands of dollars, except where otherwise noted)

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 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 – valuation techniques based on 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 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.

- 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 long-term payable has a fixed rate as described in note 3.

- 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 $0.43 million as at March 31, 2019.

(in thousands of dollars, except where otherwise noted)

The credit risk on cash and investments is limited because the counterparties are governments, chartered banks and other corporations with good credit ratings assigned by national credit rating agencies.

- 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 MOHLTC/TCLHIN 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.

14 Comparative financial statements

Certain comparative amounts for 2018 have been restated to correspond to the current year's presentation. In particular, interest expense is now disclosed as a separate line item on the statement of operations instead of included in supplies and other. In addition the amounts disclosed as purchases of investments of $14,976 and proceeds from disposal of investments of $13,542 in investing activities in the statement of cash flows has been removed and the net amount has been presented as investment income reinvested in operating activities.