

Centre for Addiction and Mental Health Foundation

Financial Statements
March 31, 2018



July 10, 2018

Independent Auditor's Report

To the Members of Centre for Addiction and Mental Health Foundation

We have audited the accompanying financial statements of Centre for Addiction and Mental Health Foundation, which comprise the statement of financial position as at March 31, 2018 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 Centre for Addiction and Mental Health Foundation as at March 31, 2018 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

Statement of Financial Position

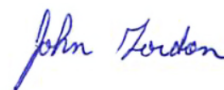
As at March 31, 2018

	2018 \$	2017 \$
Assets		
Current assets		
Cash	8,371,266	9,337,598
Accounts receivable	134,046	425,731
Prepaid expenses	137,271	93,083
	<u>8,642,583</u>	<u>9,856,412</u>
Investments (note 3)	160,399,855	118,114,348
Capital assets (note 4)	<u>161,912</u>	<u>145,747</u>
	<u>169,204,350</u>	<u>128,116,507</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	986,765	591,931
Due to the Centre for Addiction and Mental Health (note 10(b))	10,290,974	9,556,640
Deferred revenue (note 5)	12,713,409	991,485
	<u>23,991,148</u>	<u>11,140,056</u>
Fund Balances		
Unrestricted	10,162,299	11,570,056
Restricted (note 6)	106,355,507	77,790,158
Endowed (note 7)	<u>28,695,396</u>	<u>27,616,237</u>
	<u>145,213,202</u>	<u>116,976,451</u>
	<u>169,204,350</u>	<u>128,116,507</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, 2018

	Unrestricted fund		Restricted fund		Endowed fund		Total	
	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$
Income								
Donations (note 10(c))	7,352,006	6,164,766	42,710,279	43,875,888	1,285,000	200,000	51,347,285	50,240,654
Bequests	38,567	92,500	30,465	287,273	-	-	69,032	379,773
Special events	2,259,132	2,708,178	369,368	186,436	-	-	2,628,500	2,894,614
	9,649,705	8,965,444	43,110,112	44,349,597	1,285,000	200,000	54,044,817	53,515,041
Investment income (loss) - net (note 7(c))	2,603,809	4,656,070	561,676	451,000	(215,544)	1,236,835	2,949,941	6,343,905
	12,253,514	13,621,514	43,671,788	44,800,597	1,069,456	1,436,835	56,994,758	59,858,946
Expenses								
Fundraising and administration	13,034,962	10,024,872	-	-	-	-	13,034,962	10,024,872
Special events	588,550	1,114,766	-	-	-	-	588,550	1,114,766
	13,623,512	11,139,638	-	-	-	-	13,623,512	11,139,638
Excess (deficiency) of income over expenses before grants	(1,369,998)	2,481,876	43,671,788	44,800,597	1,069,456	1,436,835	43,371,246	48,719,308
Grants to the Centre for Addiction and Mental Health (note 8(a))	723,786	288,924	14,400,709	16,368,087	-	-	15,124,495	16,657,011
Grants to other qualified donees (note 8(b))	-	-	10,000	394,309	-	-	10,000	394,309
Excess (deficiency) of income over expenses for the year	(2,093,784)	2,192,952	29,261,079	28,038,201	1,069,456	1,436,835	28,236,751	31,667,988
Fund balances - Beginning of year	11,570,056	7,651,769	77,790,158	51,567,124	27,616,237	26,089,570	116,976,451	85,308,463
Interfund transfers (note 9)	686,027	1,725,335	(695,730)	(1,815,167)	9,703	89,832	-	-
Fund balances - End 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

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, 2018

	2018 \$	2017 \$
Cash provided by (used in)		
Operating activities		
Excess of income over expenses for the year	28,236,751	31,667,988
Items not involving cash		
Amortization of capital assets	56,841	52,430
Fair value change in foreign currency derivative	36,244	62,308
Reinvested investment income	(2,982,240)	(5,472,380)
Foreign exchange loss (gain) on investment in private company	344,250	(265,200)
Net changes in non-cash working capital balances relating to operations		
Accounts receivable	291,685	(349,061)
Prepaid expenses	(44,188)	79,720
Accounts payable and accrued liabilities	394,834	147,803
Due to the Centre for Addiction and Mental Health	734,334	(614,195)
Deferred revenue	11,721,924	136,170
	<u>38,790,435</u>	<u>25,445,583</u>
Investing activities		
Contributions into investment portfolio - net	(39,683,761)	(20,108,153)
Purchase of capital assets	(73,006)	(109,926)
	<u>(39,756,767)</u>	<u>(20,218,079)</u>
Change in cash during the year	(966,332)	5,227,504
Cash - Beginning of year	<u>9,337,598</u>	<u>4,110,094</u>
Cash - End of year	<u>8,371,266</u>	<u>9,337,598</u>

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

Centre for Addiction and Mental Health Foundation

Notes to Financial Statements

March 31, 2018

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, 2018

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.

Derivatives

The Foundation entered into forward foreign exchange contracts in order to manage its foreign currency exposure in its investment portfolio. The derivative contracts were measured at fair value until settled. The change in fair value of the derivatives is recorded in investment income (loss) in the statement of income, expenses and changes in fund balances.

Centre for Addiction and Mental Health Foundation

Notes to Financial Statements

March 31, 2018

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.

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.

Centre for Addiction and Mental Health Foundation

Notes to Financial Statements

March 31, 2018

3 Investments

Investments consist of the following:

	2018 \$	2017 \$
Cash	117,114	-
Canadian Money Market Fund	41,361,975	19,776,794
Canadian Fixed Income Fund	77,366,367	59,000,760
International Fixed Income Fund	1,807,867	4,558,886
Canadian Equity Fund	7,715,490	8,300,593
US Equity Fund	-	8,538,055
International Equity Fund	21,071,142	6,598,866
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Shares in private company	149,439,955	106,773,954
Foreign currency derivative	10,959,900	11,304,150
	-	36,244
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	160,399,855	118,114,348

The investments held for the endowed fund consist of the following: equities - 66% (2017 - 56%) and bonds - 34% (2017 - 44%).

The Foundation entered into forward foreign exchange contracts with a Canadian chartered bank to mitigate its exposure to fluctuations in foreign exchange rates in its investment portfolio. The contracts were settled on April 6, 2017 and resulted in a gain of \$9,232.

Interest income of \$2,431,262 was earned during the year. Foreign exchange gains (losses) of (\$380,494) (2017 - \$202,892) were recognized as part of investment income.

4 Capital assets

Capital assets consist of the following:

	<hr/>		2018	<hr/>		2017
	Cost \$	Accumulated amortization \$	Net \$	Net \$	Net \$	Net \$
Equipment and furniture	143,066	42,296	100,770	68,963	68,963	68,963
Software	123,087	61,945	61,142	76,784	76,784	76,784
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	266,153	104,241	161,912	145,747	145,747	145,747

Centre for Addiction and Mental Health Foundation

Notes to Financial Statements

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5 Deferred revenue

Deferred revenue includes \$11,813,166 relating to a donation received for which the donor has not yet determined how the funds are to be used.

6 Restricted fund

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

	2018 \$	2017 \$
Externally restricted		
Redevelopment and related properties	20,080,271	14,819,215
Research	70,926,400	48,470,865
Programs	15,335,544	14,486,786
	<hr/>	<hr/>
	106,342,215	77,776,866
Board designated	13,292	13,292
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	106,355,507	77,790,158
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7 Endowed fund

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

	2018 \$	2017 \$
Funds externally restricted for endowment purposes, income from which must be used for a restricted purpose	16,317,396	14,903,690
Externally restricted funds limited for endowment purposes by the Board of Directors	1,418,100	1,408,397
Unrestricted funds restricted for endowment purposes by the Board of Directors	10,959,900	11,304,150
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	28,695,396	27,616,237
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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%.

Centre for Addiction and Mental Health Foundation

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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:

	2018 \$	2017 \$
Preservation of capital		
Externally endowed funds	128,706	971,637
Board endowed restricted funds	9,703	89,832
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Spending allocation	138,409	1,061,469
	570,923	526,772
	<hr/>	<hr/>
	709,332	1,588,241
	<hr/>	<hr/>

8 Grants

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

	<u>Unrestricted fund</u>		<u>Restricted fund</u>	
	2018 \$	2017 \$	2018 \$	2017 \$
Education	-	-	1,342,794	678,176
Programs	-	106,223	1,201,499	1,543,199
Public awareness	505,597	77,392	522,486	-
Research	218,189	105,309	10,679,086	11,159,702
Redevelopment projects	-	-	654,844	2,987,010
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	723,786	288,924	14,400,709	16,368,087
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- b) Grants to other qualified donees amounted to \$10,000 (2017 - \$394,309), which represents a grant to FoodShare Toronto to support the Sunshine Garden, a partnership with CAMH.

Centre for Addiction and Mental Health Foundation

Notes to Financial Statements

March 31, 2018

9 Interfund transfers

Transfers between funds consist of the following:

	Unrestricted fund		Restricted fund		Endowed fund	
	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$
Board and donor approved re: fund restrictions	-	(3,741)	-	3,741	-	-
Reinvestment in Foundation support in accordance with board policy (note 2)	686,027	1,729,076	(686,027)	(1,729,076)	-	-
Allocation of investment income in accordance with board policy (note 6(c))	-	-	(9,703)	(89,832)	9,703	89,832
	<u>686,027</u>	<u>1,725,335</u>	<u>(695,730)</u>	<u>(1,815,167)</u>	<u>9,703</u>	<u>89,832</u>

10 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 \$7,091,154 (2017 - \$6,008,250).
- 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 \$664,138 (2017 - \$227,373) are included in donations revenue and grants to CAMH.

11 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.

Centre for Addiction and Mental Health Foundation

Notes to Financial Statements

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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 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.

12 Comparative figures

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