Centre for Addiction and Mental Health

Financial Statements
March 31, 2022
(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, 2022 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, 2022;
- 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 significant accounting policies and other explanatory information.

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.

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

Vaughan, Ontario
June 10, 2022

Centre for Addiction and Mental Health

Statement of Financial Position

As at March 31, 2022

(in thousands of dollars)

	2022 $	2021 $ (restated – note 8)
Assets		
Current assets		
Cash	138,130	53,605
Restricted cash and cash equivalents (note 3)	16,019	7,500
Short-term investments (note 4)	11,840	-
Accounts receivable	50,117	54,132
Due from Ministry of Health – redevelopment project (note 3)	6,220	5,824
Inventories	8,579	7,814
Prepaid expenses	2,061	1,414
	232,966	130,289
Restricted cash and cash equivalents (note 3)	5,110	2,946
Long-term receivable (note 3)	230,406	236,517
Long-term investments (note 4)	1,854	50,446
Capital assets (note 5)	795,465	818,817
	1,265,801	1,239,015
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	106,205	84,107
Long-term payable (note 3)	4,718	4,459
	110,923	88,566
Deferred contributions related to research funds (note 7(a))	58,577	48,164
Other deferred contributions (notes 7(b) and 15)	29,116	24,357
Long-term payable (note 3)	228,892	233,675
Asset retirement obligation (note 8)	3,318	3,318
Deferred capital contributions (note 6)	745,260	751,220
	1,176,086	1,149,300
Net Assets		
Investment in capital assets	63,140	67,973
Internally restricted	26,575	25,060
Unrestricted	-	(3,318)
	89,715	89,715
	1,265,801	1,239,015

Approved by the Board of Directors

Chair, Board of Trustees

Susan M Armstrong

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, 2022

(in thousands of dollars)

	2022 $	2021 $
Revenue		
Ministry of Health and federal government (note 15)	382,542	367,028
COVID-19 funding (note 16)	13,540	17,844
Patient revenue	2,849	2,073
Research and other grants (note 7(a))	66,101	56,837
Ancillary and other	32,358	27,588
Amortization of deferred capital contributions (note 6)	32,426	26,309
Investment income	899	912
	530,715	498,591
Expenses		
Compensation (notes 7(a) and 15)	361,260	353,223
Supplies and other (notes 7(a) and 15)	100,265	87,152
Depreciation	41,823	35,504
Rent	3,284	3,588
Drugs and medical supplies	10,539	7,575
Interest (note 3(b) and (c))	13,544	11,549
	530,715	498,591
Excess of revenue over expenses for the year	-	-

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, 2022

(in thousands of dollars)

	Investment in capital assets $	Internally restricted $	Unrestricted $ (restated – note 8)	2022 Total $	2021 Total $
Net assets (deficit) – Beginning of year	67,973	25,060	(3,318)	89,715	89,715
Excess of revenue over expenses for the year	-	-	-	-	-
Acquisition of capital assets	18,471	-	(18,471)	-	-
Deferred capital contributions received (note 6)	(13,907)	-	13,907	-	-
Depreciation of capital assets	(41,823)	-	41,823	-	-
Amortization of deferred capital contributions (note 6)	32,426	-	(32,426)	-	-
Interfund transfer (note 11)	-	1,515	(1,515)	-	-
Net assets – End of year	63,140	26,575	-	89,715	89,715

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, 2022

(in thousands of dollars)

	2022 $	2021 $
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	-	-
Items not affecting cash		
Depreciation	41,823	35,504
Amortization of deferred capital contributions	(32,426)	(26,309)
Investment income reinvested	-	(1,429)
Amortization of premium on investment in bonds	-	69
Loss on disposal of capital assets	935	174
	10,332	8,009
Change in non-cash working capital balances		
Accounts receivable	4,015	(8,578)
Inventories	(765)	(4,256)
Prepaid expenses	(647)	808
Accounts payable and accrued liabilities	22,098	24,885
Net change in deferred contributions related to research funds	10,413	14,647
Net change in other deferred contributions	4,759	12,449
	50,205	47,964
Investing activities		
Change in restricted cash and cash equivalents	(10,683)	112,030
Purchase of short-term investments	(11,840)	-
Proceeds from long-term investments	48,592	-
	26,069	112,030
Financing activities		
Due from Ministry of Health – redevelopment project	(396)	(794)
Receipts from long-term receivable	2,815	-
Contributions received restricted for capital purposes	29,762	25,239
Principal repayment of long-term payable	(4,524)	(130,173)
	27,657	(105,728)
Capital activities		
Purchase of capital assets	(19,406)	(46,883)
Change in cash during the year	84,525	7,383
Cash – Beginning of year	53,605	46,222
Cash – End of year	138,130	53,605
Non-cash transactions		
Due from Ministry of Health and other related to deferred capital contributions recorded	(3,296)	62,759
Financing acquisition of capital assets	-	65,880

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 or the Hospital) 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. CAMH 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 10).

Revenue recognition

CAMH follows the deferral method of accounting for contributions, which includes 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 (MOH). 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 MOH.

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 recognized 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.

(in thousands of dollars, except where otherwise noted)

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

Interest 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 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 fair value is not practical, nominal value is used. 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 amount 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.

Donated capital assets, materials and services are recorded at fair value when goods and services are received and fair value can be reasonably estimated.

(in thousands of dollars, except where otherwise noted)

Internally restricted net assets

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

Asset retirement obligation

The Hospital has legal obligations associated with the retirement of building and equipment from service. The Hospital recognizes obligations in relation to retiring tangible capital assets from service in the period in which the obligation arises, which is typically on acquisition or development of the asset if a reasonable estimate of the obligation can be made.

Asset retirement obligations are measured as the best estimate of directly attributable expenditures required to settle the obligation. These costs include post-retirement operation, maintenance and monitoring costs that are required after the asset has been removed from service. The Hospital has not used a present value technique to measure the obligation as it will be settled in the near term. The amount of the obligation is added to the carrying amount of the associated asset and amortized on a straight-line basis over the estimated remaining life of that asset, including when these obligations arise in connection with fully amortized tangible capital assets. Asset retirement obligations are reviewed at each statement of financial position date and adjusted based on the facts and circumstances available at the time. Changes to the estimated timing or amount of future costs are recognized in the statement of financial position by adjusting the restoration asset and provision. Once the related tangible capital asset is no longer in productive use, all subsequent changes in the estimate of the liability for asset retirement obligations and any new obligation that arises in respect of the asset's disposal is recognized as an expense in the period in which those changes occur.

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

(in thousands of dollars, except where otherwise noted)

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.

Financial instruments

CAMH's financial assets consist of cash, restricted cash and cash equivalents, accounts receivable, due from MOH – redevelopment project, investments and long-term receivable, and financial liabilities consist of accounts payable and accrued liabilities and long-term payable.

Financial instruments, except for long-term payable, are initially recorded at fair value. Long-term payable is initially recorded at cost. CAMH's financial instruments are subsequently measured as follows:

Assets/liabilities	**Measurement category**
Cash	fair value
Restricted cash and cash equivalents	fair value
Short-term investments	fair value
Accounts receivable	amortized cost
Due from Ministry of Health – redevelopment project	amortized cost
Long-term investments	fair value/amortized cost
Long-term receivable	amortized cost
Accounts payable and accrued liabilities	amortized cost
Long-term payable	amortized cost

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

All financial assets are assessed for impairment on an annual basis. When a decline in value is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

All investments except for bonds are reported at fair value. All investment transactions are recorded on a trade date basis. Short-term investments comprise guaranteed investment certificates (GICs) that are fully redeemable within 90 days. 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 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)

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.

Notes and bonds were measured as Level 2 financial instruments and pooled funds were measured as Level 2 financial instruments.

Measurement uncertainty

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.

A portion of the revenue recognized from the MOH requires estimation. The Hospital has entered into accountability agreements that set out the rights and obligations of the parties in respect of funding provided to the Hospital by the MOH for the year ended March 31, 2022. The accountability agreements set out certain performance standards and obligations that establish acceptable results for the Hospital's performance in a number of areas.

If the Hospital does not meet its performance standards or obligations as set out in the agreements or in specific funding letters, the MOH has the right to adjust funding received by the Hospital. The MOH is not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after the completion of the financial statements, the amount of the MOH 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 relating to funding that are reasonably assured of being received.

The coronavirus pandemic (COVID-19) has added to the Hospital's measurement uncertainty primarily due to judgment required by management to make significant assumptions related to critical estimates as they relate to funding received from the MOH for incremental costs related to COVID-19. Calculating the amount of the incremental funding requires judgment in interpreting the related guidelines published by the MOH as at the date of these financial statements. There is uncertainty as to the extent to which funding will be clawed back if additional clarifying guidance is published by the MOH. While management believes the amounts recognized are reasonably assured of being received, given the likelihood of the MOH issuing additional guidance, there is

(in thousands of dollars, except where otherwise noted)

an increased risk that funding provided may be clawed back and that COVID-19 funding has not been appropriately recorded in the statement of operations.

Actual results could differ from those estimates. Accounts requiring significant estimates include collectibility of accounts receivable, accrued and contingent liabilities, deferred revenue and employee future benefits. Employee future benefits liabilities (note 9) are subject to measurement uncertainty because actual results may differ significantly from the Hospital’s best long-term estimate of expected results. For example, the difference between actual results and actuarial assumptions regarding health-care cost trend rates for retiree benefits may be significant.

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 as 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 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 redevelopment 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 MOH, CAMH Foundation and by CAMH through internally generated funds.

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

	2022 $	2021 $
Phase 1B	86,852	88,527
Phase 1C	146,758	149,607
Phase 1D	-	-
	233,610	238,134
Less: Current portion of long-term payable	4,718	4,459
Long-term payable	228,892	233,675

The breakdown of MOH accounts receivable by phases of the redevelopment project is as follows:

(in thousands of dollars, except where otherwise noted)

	2022 $	2021 $
Phase 1B	86,166	87,647
Phase 1C	150,460	154,694
Phase 1D	-	-
	236,626	242,341
Less: Long-term receivable from MOH	230,406	236,517
Due from MOH – redevelopment project	6,220	5,824

CAMH received funds from MOH and other sources to cover various phases of the redevelopment project. The portion of these funds received in advance is classified as restricted cash and are shown by each phase of the redevelopment project as follows:

	2022 $	2021 $
Phase 1B	492	595
Phase 1C	12,118	6,528
Phase 1D	3,033	-
Redevelopment – other	376	377
Short-term restricted cash	16,019	7,500
Long-term restricted cash – Phase 1B	5,110	2,946

a) Phase 1A

Phase 1A of the redevelopment project was completed with a total cost of $34.8 million. As at March 31, 2022, all funding for this phase of the redevelopment project has been received, including the final payment of $0.7 million received from the Foundation in December 2021.

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 $86.9 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 $115.1 million is payable for the duration of the agreement. The payments over the next five years and thereafter are as follows:

(in thousands of dollars, except where otherwise noted)

	Debt $	Interest $	Operating costs $	Lifecycle $
2023	1,746	6,961	2,967	1,226
2024	1,938	6,811	3,023	1,587
2025	2,101	6,648	3,080	1,152
2026	2,277	6,472	3,139	857
2027	2,468	6,281	3,199	764
Thereafter	76,322	56,360	56,747	37,398
	86,852	89,533	72,155	42,984

During the year ended March 31, 2022, interest expense of $7.2 million (2021 – $7.3 million) was included in the statement of operations.

Part of the agreement with CHS (CAMH) Partnership requires that it provides certain operating and maintenance services to May 31, 2042. The remaining total cost of these services is estimated to be $72.1 million. These costs will be substantially funded by the MOH.

During the year ended March 31, 2022, operating and maintenance costs of $3.3 million (2021 – $2.7 million) were included in supplies and other expenses in the statement of operations. In addition, CAMH is committed to making total payments of approximately $42.9 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 MOH and also included in MOH revenue in the statement of operations.

c) Phase 1C

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) the buildings constructed as part of Phase 1C . The balance of the principal amount due to Plenary Health Phase 1C LP of $146.8 million is related to the construction of the buildings, bears interest at 4.025%, is repayable in blended monthly instalments of $0.75 million and matures on August 31, 2050. In addition, the balance of operating and lifecycle maintenance services costs of $225.6 million is payable for the duration of the agreement. The payments (including taxes) over the next five years and thereafter are as follows:

	Debt $	Interest $	Operating costs $	Lifecycle $
2023	2,972	6,099	4,075	194
2024	3,087	5,986	4,151	267
2025	3,207	5,869	4,228	690
2026	3,332	5,747	4,306	622
2027	3,462	5,620	4,386	996
Thereafter	130,698	82,142	127,667	74,014
	146,758	111,463	148,813	76.783

(in thousands of dollars, except where otherwise noted)

During the year ended March 31, 2022, interest expense of $6.3 million (2021 – $4.2 million) was included in the statement of operations.

During the year ended March 31, 2022, operating and maintenance costs of $4.2 million (2021 – $2.1 million) were included in supplies and other expenses in the statement of operations. CAMH is committed to making total payments of approximately $76.8 million related to lifecycle maintenance over the remaining period of the agreement to May 31, 2051. These payments will be substantially funded by the MOH.

d) Phase 1D

On March 25, 2021, CAMH received confirmation from MOH of a total Phase 1D Planning and Design (P&D) Grant in the amount of $37.2 million, which includes a previous approval of $2.5 million in August 2017. These funds are intended to cover MOH share of costs for planning and design associated with Phase 1D – Forensic Project, Early Works Project (decant of the current occupants of the Community Centre), and the Research Project. CAMH has incurred $20.7 million (2021 – $13.2 million) in capital costs to date, which are included as construction-in-progress in capital assets (note 5).

4 Investments

Investments consist of the following:

	2022 $	2021 $
Short-term investments:		
Guaranteed investment certificates (GICs) – redeemable within 30 days	11,840	-
Long-term investments:		
Guaranteed investment certificates (GICs)	-	11,891
Notes	-	31,272
Bonds	-	5,564
Other	1,854	1,719
	1,854	50,446
	13,694	50,446

(in thousands of dollars, except where otherwise noted)

5 Capital assets

Capital assets consist of the following:

			2022
	Cost **$**	**Accumulated depreciation** **$**	**Net** **$**
Land	9,101	-	9,101
Buildings	80,203	51,007	29,196
Equipment and furniture	167,693	127,483	40,210
Site redevelopment (note 3)			
Buildings	791,588	114,494	677,094
Equipment and furniture	45,058	26,141	18,917
Construction-in-progress	20,947	-	20,947
	1,114,590	319,125	795,465

			2021
	Cost **$**	**Accumulated depreciation** **$**	**Net** **$**
Land	9,101	-	9,101
Buildings	77,503	46,963	30,540
Equipment and furniture	162,740	114,728	48,012
Site redevelopment (note 3)			
Buildings	789,787	93,035	696,752
Equipment and furniture	44,485	23,489	20,996
Construction-in-progress	13,416	-	13,416
	1,097,032	278,215	818,817

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

During the year, CAMH wrote off assets with a cost of $1.8 million (2021 – $0.3 million) and an accumulated depreciation of $0.9 million (2021 – $0.1 million) at a net loss of disposal of $0.9 million (2021 – $0.2 million). The current year net loss is composed of $0.6 million in various building related components that have been disposed of plus $0.3 million in information technology assets that have reached end of life.

(in thousands of dollars, except where otherwise noted)

6 Deferred capital contributions

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

	2022 $	2021 $
Balance – Beginning of year	751,220	689,531
Contributions received for capital purposes	26,466	87,998
Amortization of deferred capital contributions	(32,426)	(26,309)
Balance – End of year	745,260	751,220

Included in the above balances are contributions of $12.9 million (2021 – $0.4 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:

	2022 $	2021 $
Balance – Beginning of year	48,164	33,517
Amounts received during the year	78,432	75,151
Amounts recognized as revenue during the year	(66,061)	(59,060)
Amounts transferred during the year	(1,958)	(1,444)
Balance – End of year	58,577	48,164

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

	2022 $	2021 $
Compensation	43,500	37,119
Supplies and other	24,519	23,385
Total funds spent on research activities during the year	68,019	60,504

(in thousands of dollars, except where otherwise noted)

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

	2022 $	2021 $
Balance – Beginning of year	24,357	11,908
Amounts received during the year	76,507	78,244
Amounts recognized as revenue during the year	(57,368)	(55,132)
Amounts transferred during the year	(14,380)	(10,663)
Balance – End of year	29,116	24,357

Amounts payable to MOH have been included in accounts payable and accrued liabilities.

8 Adoption of PS3280 – Asset retirement obligation (ARO)

During the year, CAMH early adopted ARO using the modified retrospective approach as at April 1, 2021. As a result of applying the new accounting policies (as described in note 2), an asset retirement obligation of $3.3 million was recognized in the statement of financial position, representing the estimated asbestos costs for two specific buildings and site restoration costs related to a Cyclotron machine. This adoption was applied to the comparative period as disclosed below.

Below is a summary of the changes:

Statement of Financial Position

			2021
	As previously reported $	Adjustments $	As restated $
Capital assets	818,592	225	818,817
Asset retirement obligation	-	3,318	3,318
Investment in capital	67,748	225	67,973
Unrestricted net assets	-	(3,318)	(3,318)

(in thousands of dollars, except where otherwise noted)

Statement of Changes in Net Assets

	2021		
	As previously reported $	Adjustments $	As restated $
Investment in capital	67,748	225	67,973
Unrestricted net assets	-	(3,318)	(3,318)

9 Employee benefit plans

a) Multi-employer pension plans

CAMH's contributions to HOOPP during the year amounted to $19.9 million (2021 – $19.4 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 December 31, 2020.

CAMH's contributions to the OPSEU Pension Plan during the year amounted to $1.3 million (2021 – $1.4 million) and are included in compensation expense in the statement of operations.

b) Non-pension, post-employment benefit plans

CAMH offers healthcare 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, 2021.

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

	2022 $	2021 $
Accrued benefit obligation	2,025	2,120
Unamortized actuarial gain (loss)	63	(95)
Accrued benefit liability included in accounts payable and accrued liabilities	2,088	2,025

(in thousands of dollars, except where otherwise noted)

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

	2022 $	2021 $
Current period benefit cost	157	147
Amortization of actuarial loss (gain)	3	(1)
Interest expense	64	66
	224	212

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

	2022 %	2021 %
Accrued benefit obligation		
Discount rate	3.60	2.90
Health-care cost trend rate	5.37	5.37
Ultimate health-care cost trend rate	3.57	3.57
Dental cost trend rate	3.00	3.00
Benefit expense		
Discount rate	2.90	3.10
Health-care cost trend rate	5.37	5.37
Ultimate health-care cost trend rate	3.57	3.57

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

	2022 $	2021 $
Employer contributions	160	143
Benefits paid	160	143

10 Affiliated entity

CAMH Foundation is an independent corporation incorporated without share capital under the laws of the Province of Ontario and is a charitable organization registered under the Income Tax Act (Canada). The Foundation has its own Board of Directors and is responsible for all fundraising activities carried out on behalf of CAMH and provides grants in support of CAMH priorities. Therefore, CAMH has an economic interest in the Foundation, but does not have control and the accounts of the Foundation are not included in these financial statements.

The Foundation granted $35.2 million (2021 – $45.1 million) to fund capital projects, research projects and other operating activities. The balance due from the Foundation of $7.6 million (2021 – $8.4 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.

(in thousands of dollars, except where otherwise noted)

11 Interfund transfer

During the year, the Board of Trustees approved a transfer of $1.51 million from unrestricted to internally restricted net assets for strategic initiatives. In fiscal 2021, the Board of Trustees approved a transfer of $1.76 million from internally restricted to unrestricted net assets for strategic initiatives.

12 Contingencies

a) 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 the 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.

b) 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, 2022.

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, 2022.

13 Commitments

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

	$
2023	3,042
2024	2,729
2025	2,558
2026	2,273
2027	2,252
Thereafter	24,771
	37,625

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

For commitments related to the redevelopment project, refer to note 3.

(in thousands of dollars, except where otherwise noted)

14 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 significant impact on the financial statements since the fixed income investments are largely short-term in nature and/or measured at amortized cost and the long-term payable has a fixed rate (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 $0.5 million as at March 31, 2022.

The credit risk on cash and investments is limited because the counterparties are largely 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 MOH 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.

(in thousands of dollars, except where otherwise noted)

15 Public Health Agency of Canada (PHAC) – Suicide Prevention program

Canada Suicide Prevention Service

On June 29, 2020, CAMH entered into a five-year contribution agreement with the PHAC for funding of up to $21 million. This is to fund the implementation of a suicide prevention program (A Multi-Sectoral Community-Based Implementation of a Canadian Suicide Prevention Service: a Partnership with CAMH, the Canadian Mental Health Association – National (CMHA National), Crisis Services Canada (CSC) under Health Promotion Program – Suicide Prevention). During the year, CAMH received funding of $5.1 million (2021 – $3.8 million) from PHAC in relation to this project, recognized revenue of $5.2 million (2021 – $2.8 million) and incurred expenses of $5.2 million (2021 – $2.8 million). The remaining funding of $0.9 million (2021 – $1 million) has been recorded in other deferred contributions. Of this, $0.6 million will be spent in 2023 and $0.3 million will be returned to PHAC.

Coping for All Project

On December 29, 2021, CAMH entered into a 24-month contribution agreement with the PHAC for funding of $2 million. This is to fund the development of tools and resources to assist distress centres in meeting the needs of diverse and vulnerable populations in Partnership with CMHA National, CSC under Health Promotion Program – Suicide Prevention. During the year, CAMH received funding of $0.25 million from PHAC in relation to this project, recognized revenue of $0.09 million and incurred expenses of $0.09 million. The remaining funding of $0.16 million will be spent in 2023.

16 Impact of COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus (COVID-19) as a pandemic, which has resulted in a series of public health and emergency measures that have been put into place to combat the spread of the virus. As a result of the COVID-19 pandemic, CAMH experienced a change in demands for its services and incurred unbudgeted pandemic response expenditures. During the year, CAMH recorded $13.5 million (2021 – $17.8 million) in funding from the MOH of which $2.4 million (2021 – $2.6 million) is recorded as a receivable related to expenditures incurred in response to the pandemic.

The Hospital received $0.5 million (2021 – $4.4 million) in temporary pandemic pay funding for eligible staff, temporary wage enhancement and temporary physician pay funding, which have been offset in salaries, wages and employee benefits in the statement of operations during the year, since the Hospital acted as an agent for the MOH in respect of distributing the pay to staff and physicians.

CAMH will continue to incur additional costs in order to adhere to the directives of the MOH to control the spread of COVID-19. Given the duration of the pandemic is unknown at this time, CAMH is not able to reasonably estimate these costs.