

Centre for Addiction and Mental Health Foundation

Financial Statements
March 31, 2021



Independent auditor's report

To the Board of Directors of Centre for Addiction and Mental Health Foundation

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Centre for Addiction and Mental Health Foundation (the Foundation) as at March 31, 2021 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited

The Foundation's financial statements comprise:

- the statement of financial position as at March 31, 2021;
- the statement of income, expenses and changes in fund balances for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include 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 Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

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

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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



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

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
June 10, 2021

Centre for Addiction and Mental Health Foundation

Statement of Financial Position

As at March 31, 2021

	2021 \$	2020 \$
Assets		
Current assets		
Cash	13,688,229	11,751,768
Accounts receivable	271,432	385,842
Prepaid expenses	86,730	101,120
	<u>14,046,391</u>	<u>12,238,730</u>
Investments (note 3)	251,078,484	221,187,661
Capital assets (note 4)	<u>225,395</u>	<u>164,540</u>
	<u>265,350,270</u>	<u>233,590,931</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	2,270,132	1,650,446
Due to the Centre for Addiction and Mental Health (note 9(b))	3,719,569	9,546,231
Deferred revenue	175,486	552,667
	<u>6,165,187</u>	<u>11,749,344</u>
Fund Balances		
Unrestricted	31,797,184	9,434,027
Restricted (note 5)	189,978,624	180,158,908
Endowed (note 6)	<u>37,409,275</u>	<u>32,248,652</u>
	<u>259,185,083</u>	<u>221,841,587</u>
	<u>265,350,270</u>	<u>233,590,931</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, 2021

	Unrestricted fund		Restricted fund		Endowed fund		Total	
	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$
Income								
Donations (note 9(c))	10,815,892	7,510,025	41,366,362	78,875,022	965,000	3,600,000	53,147,254	89,985,047
Bequests	551,737	211,530	86,850	55,000	-	-	638,587	266,530
Special events	684,842	2,848,371	492,734	4,785,115	-	-	1,177,576	7,633,486
	12,052,471	10,569,926	41,945,946	83,715,137	965,000	3,600,000	54,963,417	97,885,063
Investment income (loss) – net (note 3)	25,578,866	(3,551,833)	1,035,955	(129,791)	2,650,175	(2,047,480)	29,264,996	(5,729,104)
	37,631,337	7,018,093	42,981,901	83,585,346	3,615,175	1,552,520	84,228,413	92,155,959
Expenses								
Fundraising and administration	15,383,741	15,185,246	-	-	-	-	15,383,741	15,185,246
Special events	228,640	690,753	-	-	-	-	228,640	690,753
	15,612,381	15,875,999	-	-	-	-	15,612,381	15,875,999
Excess (deficiency) of income over expenses before grants	22,018,956	(8,857,906)	42,981,901	83,585,346	3,615,175	1,552,520	68,616,032	76,279,960
Grants to the Centre for Addiction and Mental Health (note 7(a))	211,179	278,528	30,787,010	48,453,999	-	-	30,998,189	48,732,527
Grants to other qualified donees (note 7(b))	-	-	274,347	122,689	-	-	274,347	122,689
Excess (deficiency) of income over expenses for the year	21,807,777	(9,136,434)	11,920,544	35,008,658	3,615,175	1,552,520	37,343,496	27,424,744
Fund balances – Beginning of year	9,434,027	15,482,722	180,158,908	146,829,666	32,248,652	32,104,455	221,841,587	194,416,843
Interfund transfers (note 8)	555,380	3,087,739	(2,100,828)	(1,679,416)	1,545,448	(1,408,323)	-	-
Fund balances – End of year	31,797,184	9,434,027	189,978,624	180,158,908	37,409,275	32,248,652	259,185,083	221,841,587

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, 2021

	2021 \$	2020 \$
Cash provided by (used in)		
Operating activities		
Excess of income over expenses for the year	37,343,496	27,424,744
Items not involving cash		
Amortization of capital assets	63,423	63,878
Revenue recognized for donated securities	(5,052,094)	(57,282,244)
Change in fair value of investments	(22,700,310)	12,825,985
Reinvested investment income	(6,733,458)	(7,230,212)
Foreign exchange loss on investment	34,235	4,216
Changes in non-cash working capital balances relating to operations		
Accounts receivable	114,410	(135,731)
Prepaid expenses	14,390	(15,400)
Accounts payable and accrued liabilities	619,686	672,149
Due to the Centre for Addiction and Mental Health	(5,826,662)	(1,809,030)
Deferred revenue	(377,181)	(344,728)
	<u>(2,500,065)</u>	<u>(25,826,373)</u>
Investing activities		
Purchase of investments	(78,698,644)	(72,709,517)
Proceeds from sale of securities	83,259,448	95,978,554
Purchase of capital assets	(124,278)	(118,431)
	<u>4,436,526</u>	<u>23,150,606</u>
Change in cash during the year	1,936,461	(2,675,767)
Cash – Beginning of year	<u>11,751,768</u>	<u>14,427,535</u>
Cash – End of year	<u>13,688,229</u>	<u>11,751,768</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, 2021

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 the donor or the board of directors require the endowment principal be maintained.

Centre for Addiction and Mental Health Foundation

Notes to Financial Statements

March 31, 2021

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.

Gifts of securities

Gifts of securities are recognized at estimated fair value based on the published closing price on the date of receipt. Any gains or losses arising from timing differences from the receipt and subsequent sale of securities are immediately recognized by the Foundation in the statement of income, expenses and changes in fund balances.

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.

Centre for Addiction and Mental Health Foundation

Notes to Financial Statements

March 31, 2021

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, 2021

3 Investments

Investments consist of the following:

	2021 \$	2020 \$
Cash	1,419,579	171,655
Canadian Money Market Fund	17,964,241	25,001,938
Canadian Fixed Income Fund	95,042,602	109,998,714
International Fixed Income Fund	6,532,781	6,551,691
Canadian Equity Fund	32,576,451	16,889,243
International Equity Fund	97,542,830	62,574,420
	<u>251,078,484</u>	<u>221,187,661</u>

The investments held for the endowed fund consist of the following: equities – 72% (2020 – 65%) and bonds – 28% (2020 – 35%).

The investment income (loss) consists of:

	2021 \$	2020 \$
Interest and dividend income	7,537,722	8,013,994
Change in fair value of investments	22,700,310	(12,825,985)
Investment income (loss) before fees	30,238,032	(4,811,991)
Investment management fees	(973,036)	(917,113)
	<u>29,264,996</u>	<u>(5,729,104)</u>

4 Capital assets

Capital assets consist of the following:

	<u>2021</u>		<u>2020</u>	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Equipment and furniture	380,717	156,793	223,924	150,211
Software	87,535	86,064	1,471	14,329
	<u>468,252</u>	<u>242,857</u>	<u>225,395</u>	<u>164,540</u>

Centre for Addiction and Mental Health Foundation

Notes to Financial Statements

March 31, 2021

5 Restricted fund

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

	2021 \$	2020 \$
Externally restricted		
Redevelopment and related properties	59,877,207	52,970,500
Research	108,212,812	108,913,402
Programs	21,875,975	18,261,714
	<hr/>	<hr/>
Board designated	189,965,994	180,145,616
	12,630	13,292
	<hr/>	<hr/>
	189,978,624	180,158,908

6 Endowed fund

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

	2021 \$	2020 \$
Funds externally restricted for endowment purposes, income from which must be used for a restricted purpose	23,702,643	20,087,468
Externally restricted funds limited for endowment purposes by the board of directors	2,442,446	2,167,056
Unrestricted funds restricted for endowment purposes by the board of directors	11,264,186	9,994,128
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	37,409,275	32,248,652

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% (2020 – 3.5%).

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

Centre for Addiction and Mental Health Foundation

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March 31, 2021

- c) The preservation of capital and spending allocation, calculated in accordance with the Foundation's endowed fund policy, is as follows:
- As there was an investment gain for the year ended March 31, 2021, the spending allocation of \$1,128,703 was transferred to the endowment fund, comprising \$778,908 from the restricted fund and \$349,795 from the unrestricted fund. In addition, the net investment gain of \$275,390 in the restricted fund and \$1,270,058 in the unrestricted fund were transferred to the endowed fund.
 - For the year ended March 31, 2020, the spending allocation of \$1,123,656 was transferred from the endowment fund, with \$733,354 being transferred to the restricted fund and \$390,302 transferred to the unrestricted fund. In addition, the net investment loss of \$250,955 in the restricted fund and \$1,157,368 in the unrestricted fund were transferred to the endowed fund.

7 Grants

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

	Unrestricted fund		Restricted fund	
	2021 \$	2020 \$	2021 \$	2020 \$
Education	144,015	-	212,444	933,737
Programs	54,591	75,815	5,029,788	6,254,957
Public awareness	-	160,402	333,680	835,959
Research	12,573	42,311	12,811,317	17,936,011
Capital and redevelopment	-	-	12,399,781	22,493,335
	<u>211,179</u>	<u>278,528</u>	<u>30,787,010</u>	<u>48,453,999</u>

- b) Grants to other qualified donees amounted to \$274,347 (2020 – \$122,689). Grants to other qualified donees included grants to The Hospital for Sick Children Foundation for Child and Youth Mental Health Program and 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, 2021

8 Interfund transfers

Transfers between funds consist of the following:

	Unrestricted fund		Restricted fund		Endowed fund	
	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$
Reinvestment in Foundation support in accordance with board policy (note 2)	1,825,438	1,930,371	(1,825,438)	(1,930,371)	-	-
Allocation of investment income in accordance with board policy (note 6(c))	(1,270,058)	1,157,368	(275,390)	250,955	1,545,448	(1,408,323)
	<u>555,380</u>	<u>3,087,739</u>	<u>(2,100,828)</u>	<u>(1,679,416)</u>	<u>1,545,448</u>	<u>(1,408,323)</u>

9 Related party transactions

- CAMH is an independent corporation without share capital and has an independent board of directors. CAMH is affiliated with the Foundation as a result of common board members between the two organizations. CAMH provides certain services to the Foundation and pays some expenses on behalf of the Foundation. CAMH also provides payroll processing and charged the Foundation for employee costs in the amount of \$7,797,346 (2020 – \$7,635,872).
- 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 \$31,995 (2020 – \$3,265,863) are included in donations revenue and grants to CAMH.

10 Financial instruments

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

Market risk

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

Centre for Addiction and Mental Health Foundation

Notes to Financial Statements

March 31, 2021

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.

11 Impact of COVID-19

The outbreak of the coronavirus pandemic has resulted in governments worldwide enacting emergency measures to control the spread of the virus. As a result, an overall decline in revenue may occur due to the deferral of special events and reduced individual giving in fiscal 2022.

As the situation continues to evolve rapidly, the Foundation is unable to quantify the potential impact this pandemic may have on its financial statements.