

Centre for Addiction and Mental Health

Financial statements
March 31, 2024



Independent auditor's report

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

Opinion

We have audited the financial statements of the **Centre for Addiction and Mental Health** ["CAMH"], which comprise the statement of financial position as at March 31, 2024, and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CAMH as at March 31, 2024, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 are independent of CAMH in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of CAMH for the year ended March 31, 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 20, 2023.

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 CAMH'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 CAMH or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing CAMH'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 CAMH'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 CAMH'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 CAMH 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.

Ernst & Young LLP

Toronto, Canada
May 28, 2024

Chartered Professional Accountants
Licensed Public Accountants



Centre for Addiction and Mental Health

Statement of financial position

[Expressed in thousands of dollars]

As at March 31

| | 2024 | 2023 |
|---|------------------|------------------|
| | \$ | \$ |
| Assets | | |
| Current | | |
| Cash | 71,143 | 74,683 |
| Accounts receivable <i>[note 12]</i> | 90,430 | 44,191 |
| Due from Ministry of Health – redevelopment project <i>[note 3]</i> | 14,098 | 6,244 |
| Inventories | 5,865 | 7,649 |
| Prepaid expenses | 1,279 | 1,138 |
| Total current assets | 182,815 | 133,905 |
| Restricted cash and cash equivalents <i>[note 3]</i> | 19,096 | 17,837 |
| Long-term investments <i>[note 4]</i> | 132,618 | 129,596 |
| Long-term receivable <i>[note 3]</i> | 219,136 | 224,605 |
| Capital assets, net <i>[note 5]</i> | 816,989 | 791,653 |
| | 1,370,654 | 1,297,596 |
| Liabilities and net assets | | |
| Current | | |
| Accounts payable and accrued liabilities | 157,895 | 136,184 |
| Current portion of long-term payable <i>[note 3]</i> | 5,308 | 5,025 |
| Total current liabilities | 163,203 | 141,209 |
| Deferred contributions related to research funds <i>[note 7[a]]</i> | 67,354 | 62,058 |
| Other deferred contributions <i>[notes 7[b] and 11]</i> | 38,603 | 33,590 |
| Long-term payable <i>[note 3]</i> | 218,569 | 223,877 |
| Asset retirement obligation <i>[note 9]</i> | 3,692 | 3,561 |
| Employee future benefit liabilities <i>[note 10[b]]</i> | 2,295 | 2,155 |
| Deferred capital contributions <i>[note 8]</i> | 787,087 | 741,431 |
| Total liabilities | 1,280,803 | 1,207,881 |
| Commitments and contingencies <i>[notes 3, 14 and 15]</i> | | |
| Subsequent events <i>[note 18]</i> | | |
| Net assets | | |
| Unrestricted | — | — |
| Investment in capital assets | 40,738 | 59,096 |
| Internally restricted | 49,113 | 30,619 |
| Total net assets | 89,851 | 89,715 |
| | 1,370,654 | 1,297,596 |

See accompanying notes

Approved by the Board of Directors

Susan M. Aronshon

Chair, Board of Trustees

Chair, Audit, Finance
and Resource Committee

Centre for Addiction and Mental Health

Statement of operations

[Expressed in thousands of dollars]

Year ended March 31

| | 2024 | 2023 |
|--|----------------|----------------|
| | \$ | \$ |
| Revenue | | |
| Ministry of Health and federal government <i>[note 11]</i> | 486,290 | 423,442 |
| COVID-19 funding <i>[note 16]</i> | 1,836 | 10,154 |
| Research and other grants <i>[note 7[a]]</i> | 81,601 | 79,293 |
| Ancillary and other | 36,503 | 33,333 |
| Patient revenue | 2,587 | 3,521 |
| Amortization of deferred capital contributions <i>[note 8]</i> | 30,552 | 31,158 |
| Investment income | 9,617 | 4,799 |
| | 648,986 | 585,700 |
| Expenses | | |
| Compensation <i>[notes 10 and 11]</i> | 420,427 | 383,017 |
| Supplies and other <i>[notes 3 and 11]</i> | 161,102 | 134,732 |
| Amortization of capital assets | 40,625 | 41,373 |
| Drugs and medical supplies | 10,637 | 10,077 |
| Rent | 3,020 | 3,194 |
| Interest <i>[notes 3[a] and [b]]</i> | 13,039 | 13,307 |
| | 648,850 | 585,700 |
| Excess of revenue over expenses for the year | 136 | — |

See accompanying notes

Centre for Addiction and Mental Health

Statement of changes in net assets

[Expressed in thousands of dollars]

Year ended March 31

| | 2024 | | | 2023 | |
|--|---------------------------------------|--------------------------------|--------------------|---------------|-------------|
| | Investment in capital assets \$ | Internally restricted \$ | Unrestricted \$ | Total \$ | Total \$ |
| Net assets, beginning of year | 59,096 | 30,619 | — | 89,715 | 89,715 |
| Excess of revenue over expenses for the year | — | — | 136 | 136 | — |
| Acquisition of capital assets | 65,960 | — | (65,960) | — | — |
| Deferred capital contributions received [note 8] | (74,245) | — | 74,245 | — | — |
| Amortization of capital assets | (40,625) | — | 40,625 | — | — |
| Amortization of deferred capital contributions [note 8] | 30,552 | — | (30,552) | — | — |
| Interfund transfer [note 13] | — | 18,494 | (18,494) | — | — |
| Net assets, end of year | 40,738 | 49,113 | — | 89,851 | 89,715 |

See accompanying notes

Centre for Addiction and Mental Health

Statement of cash flows

[Expressed in thousands of dollars]

Year ended March 31

| | 2024 | 2023 |
|---|-----------------|------------------|
| | \$ | \$ |
| Operating activities | | |
| Excess of revenue over expenses for the year | 136 | — |
| Add (deduct) items not affecting cash | | |
| Amortization of capital assets | 40,625 | 41,373 |
| Amortization of deferred capital contributions | (30,552) | (31,158) |
| Employee future benefits expense | 272 | 214 |
| Investment income reinvested | (1,052) | — |
| Loss on disposal of capital assets | 151 | 152 |
| | <u>9,580</u> | <u>10,581</u> |
| Changes in non-cash working capital balances related to operations | | |
| Accounts receivable | (46,239) | 5,926 |
| Inventories | 1,784 | 930 |
| Prepaid expenses | (141) | 923 |
| Accounts payable and accrued liabilities | 21,711 | 32,067 |
| Net change in deferred contributions related to research funds | 5,296 | 3,481 |
| Net change in other deferred contributions | 5,013 | 4,474 |
| Accretion expense on asset retirement obligation | 131 | 243 |
| Contributions to employee future benefits | (132) | (147) |
| Cash provided by (used in) operating activities | <u>(2,997)</u> | <u>58,478</u> |
| Investing activities | | |
| Change in restricted cash and cash equivalents | (1,259) | 3,292 |
| Proceeds from long-term investments | 125,227 | 139,691 |
| Purchase of long-term investments | (127,198) | (255,593) |
| Cash used in investing activities | <u>(3,230)</u> | <u>(112,610)</u> |
| Financing activities | | |
| Due from Ministry of Health – redevelopment project | (7,854) | (24) |
| Receipts from long-term receivable | 2,700 | — |
| Contributions received restricted for capital purposes | 78,977 | 33,182 |
| Principal repayment of long-term payable | (5,025) | (4,760) |
| Cash provided by financing activities | <u>68,798</u> | <u>28,398</u> |
| Capital activities | | |
| Purchase of capital assets | <u>(66,111)</u> | <u>(37,713)</u> |
| Net decrease in cash during the year | <u>(3,540)</u> | <u>(63,447)</u> |
| Cash, beginning of year | 74,683 | 138,130 |
| Cash, end of year | <u>71,143</u> | <u>74,683</u> |
| Non-cash transactions | | |
| Due from Ministry of Health and other related deferred capital contributions recorded | (2,769) | (5,800) |
| Financing acquisition of capital assets | — | 53 |

See accompanying notes

Centre for Addiction and Mental Health

Notes to financial statements

[In thousands of dollars, except where otherwise noted]

March 31, 2024

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, including Sections PS4200 to PS4270, which 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 in which CAMH has an economic interest [note 12].

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 if the amount can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are deferred when initially recorded in the accounts and 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.

Centre for Addiction and Mental Health

Notes to financial statements

[In thousands of dollars, except where otherwise noted]

March 31, 2024

Revenue from ancillary and other services and patient care is recognized when services have been provided and collectability 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 current replacement value. Cost is determined using the weighted average cost method.

Capital assets

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. When fair value is not practical, nominal value is used. 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 amortization is recorded until construction is substantially complete and the assets are ready for use.

Capital assets are amortized 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 |

When capital assets no longer contribute to CAMH's ability to provide services, the excess of the carrying amounts over any residual value is recognized as an expense in the statement of operations.

Centre for Addiction and Mental Health

Notes to financial statements

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March 31, 2024

Public private partnerships

Public private partnerships ["P3s"] are recognized in CAMH's financial statements over the construction period for P3s:

- Between CAMH and a private sector partner for infrastructure-project delivery;
- With risk allocation that provides for CAMH control of the asset at any point during the arrangement; and
- In which the private sector partner [1] designs, builds, acquires, or better new or existing infrastructure, [2] finances the transaction past the point where the infrastructure is ready for use, and [3] operates and/or maintains the infrastructure.

For such P3s, CAMH initially recognizes the constructed or acquired infrastructure asset at cost, which represents fair value at the date of recognition, and a corresponding liability at the same amount as the related infrastructure asset, reduced for any consideration previously provided to the private sector partner. The asset is subsequently measured in accordance with the policies for capital assets. Depending on the arrangement, consideration may be transferred from CAMH to the private sector partner to settle the associated liability through a combination of the financial liability and the user-pay models.

Lifecycle payments under such P3s are determined to either be betterments or operating and maintenance expenses. Betterments are added to the carrying amount of the related infrastructure when the future economic benefits of the betterment are controlled by CAMH. Operating and maintenance expenses are expensed in a rational and systematic manner that best corresponds to the benefit received from the services being provided over the term of the service contract.

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

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 buildings 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.

Centre for Addiction and Mental Health

Notes to financial statements

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March 31, 2024

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 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 asset and asset retirement provision. Once the related 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 are 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, whereby contributions are expensed on an accrual basis.

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, whereby contributions are expensed on an accrual basis.

Other employee future benefits

Certain employees of CAMH are entitled to receive post-employment benefits. The costs of these benefits are determined using the accrued benefit method pro-rated on service and management's best estimate of expected salary escalation, retirement ages of employees and health-care costs. The discount rate used to determine the accrued benefit obligation was determined by reference to the rate of return on provincial government bonds with an additional risk premium specific to CAMH for varying durations based on the cash flows expected from the post-employment benefit obligations.

Past-service costs from plan amendments are expensed when the amendment takes effect.

The net actuarial gain (loss) is amortized over the average remaining service period of active employees.

Centre for Addiction and Mental Health

Notes to financial statements

[In thousands of dollars, except where otherwise noted]

March 31, 2024

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. 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 | Fair value/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. 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 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.

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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.

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, 2024. 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 these are 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.

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 the collectability of accounts receivable, useful life of capital assets, accrued and contingent liabilities, deferred contributions, employee future benefits [note 10] and asset retirement obligations [note 9].

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Notes to financial statements

[In thousands of dollars, except where otherwise noted]

March 31, 2024

The provisions against accounts receivable balances are primarily assessed against the historical collectability of the accounts with specific provisions for larger outstanding balances deemed potentially uncollectible. Employee future benefits liabilities [note 10] 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.

Adoption of new accounting standards

During the year, CAMH retrospectively adopted the new accounting standard, Section PS3160, *Public Private Partnerships*. This standard establishes how to account for and report on infrastructure procured through certain types of P3 arrangements. The adoption of this new standard had no financial impact on these financial statements.

During the year, CAMH retrospectively adopted the new accounting standard, Section PS3400, *Revenue*. This standard establishes how to account for and report on revenue, specifically differentiating between revenue arising from transactions that include performance obligations, referred to as "exchange transactions", and transactions that do not have performance obligations, referred to as "non-exchange transactions". The adoption of this new standard had no financial impact on these financial statements.

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 and debt [note 18].

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

| | 2024 | 2023 |
|---|----------------|----------------|
| | \$ | \$ |
| Phase 1B | 83,178 | 85,116 |
| Phase 1C | 140,699 | 143,786 |
| Phase 1D | — | — |
| | 223,877 | 228,902 |
| Less current portion of long-term payable | 5,308 | 5,025 |
| Long-term payable | 218,569 | 223,877 |

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[In thousands of dollars, except where otherwise noted]

March 31, 2024

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

| | 2024 | 2023 |
|---|----------------|-------------|
| | \$ | \$ |
| Phase 1B | 82,471 | 84,363 |
| Phase 1C | 140,699 | 143,786 |
| Phase 1D | 7,731 | — |
| | 230,901 | 228,149 |
| Less long-term receivable from MOH | 216,803 | 221,905 |
| Due from MOH – redevelopment project | 14,098 | 6,244 |

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 is shown by each phase of the redevelopment project as follows:

| | 2024 | 2023 |
|---------------------------|---------------|-------------|
| | \$ | \$ |
| Phase 1B | 5,482 | 5,575 |
| Phase 1C | 4,986 | 6,324 |
| Phase 1D | 8,252 | 5,562 |
| Redevelopment – other | 376 | 376 |
| Long-term restricted cash | 19,096 | 17,837 |

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March 31, 2024

[a] 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 \$83.2 million [2023 – \$85.1 million] is related to the construction of the buildings and bears interest at 7.8%, is 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 \$106.3 million [2023 – \$110.9 million] is payable for the duration of the agreement. The payments over the next five years and thereafter are as follows:

| | Debt | Interest | Operating costs | Lifecycle |
|------------|---------------|-----------------|------------------------|------------------|
| | \$ | \$ | \$ | \$ |
| 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 |
| 2028 | 2,675 | 6,074 | 3,260 | 1,721 |
| 2029 | 2,900 | 5,849 | 3,322 | 2,109 |
| Thereafter | 70,757 | 44,437 | 50,165 | 33,568 |
| | <u>83,178</u> | <u>75,761</u> | <u>66,165</u> | <u>40,171</u> |

During the year ended March 31, 2024, interest expense of \$6.9 million [2023 – \$7.1 million] was included in the statement of operations.

During the year ended March 31, 2024, operating and lifecycle maintenance costs of \$4.5 million [2023 – \$2.8 million] were included in supplies and other expenses in the statement of operations. These costs are substantially funded by the MOH, and are recorded in MOH revenue 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 \$66.2 million. In addition, CAMH is committed to making total payments of approximately \$40.2 million related to lifecycle maintenance over the remaining period of the agreement to May 31, 2042. These payments will also be substantially funded by the MOH.

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[In thousands of dollars, except where otherwise noted]

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[b] 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 \$140.7 million [2023 – \$143.8 million] is related to the construction of the buildings, bears interest at 4.025%, is repayable in blended monthly instalments of \$0.8 million, and matures on August 31, 2050. In addition, the balance of operating and lifecycle maintenance services costs of \$216.9 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 \$ |
|------------|----------------|----------------|--------------------------|-----------------|
| 2025 | 3,207 | 5,869 | 4,228 | 690 |
| 2026 | 3,332 | 5,747 | 4,306 | 622 |
| 2027 | 3,462 | 5,620 | 4,386 | 996 |
| 2028 | 3,597 | 5,487 | 4,468 | 3,005 |
| 2029 | 3,738 | 5,349 | 4,552 | 3,363 |
| Thereafter | 123,363 | 71,305 | 118,647 | 67,647 |
| | <u>140,699</u> | <u>99,377</u> | <u>140,587</u> | <u>76,323</u> |

During the year ended March 31, 2024, interest expense of \$6.1 million [2023 – \$6.2 million] was included in the statement of operations.

During the year ended March 31, 2024, operating and maintenance costs of \$4.9 million [2023 – \$4.2 million] were included in supplies and other expenses in the statement of operations. These costs are substantially funded by the MOH, and are recorded in MOH revenue in the statement of operations.

Part of the agreement with Plenary Health Phase 1C LP requires that it provides certain operating and maintenance services to May 31, 2051. The remaining total cost of these services is estimated to be \$140.2 million. In addition, CAMH is committed to making total payments of approximately \$76.3 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.

[c] Phase 1D

On March 25, 2021, CAMH received confirmation from MOH of a total Phase 1D Planning and Design 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 the MOH share of costs for planning and design associated with Phase 1D – Forensic Project, Early Works [decant of the current occupants of the Community Centre] up to \$34.1 million, and the Research Project up to \$3.1 million. CAMH has incurred \$100.4 million [2023 – \$44.7 million] in capital costs to date, of which \$14.4 million has been capitalized for Phase 1D – Forensic Project, Early Works.

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Phase 1D Forensic Project – Total Project Cost [“TPC”] is estimated to be \$1.5 billion as per the Draft Final Estimate of Cost [“FEC”] under review. This project is funded by MOH for \$1.5 billion and a small portion to be covered by CAMH through internally generated funds and debt [note 18]. Of the approved maximum grant to the Hospital, \$34.1 million has been received from MOH. In February 2024, Infrastructure Ontario and CAMH entered into a fixed price contract with PCL Partnerships for building construction as part of Phase 1D with a total commitment of \$1.33 billion excluding taxes. CAMH has incurred \$27.3 million [MOH share] in capital costs, which are included in construction-in-progress under capital asset [note 5].

Phase 1D Research project – TPC is estimated to be \$637 million as per FEC 1 subject to change at FEC 2. MOH is funding \$104 million of this project, CAMH Foundation is funding \$240 million through internally generated funds [note 12] and the remainder is being funded by debt [note 18]. Of the approved maximum grant to the Hospital, \$3.1 million has been received from MOH and \$19.0 million has been received from CAMH Foundation. In January 2024, CAMH entered into project agreement with PCL Construction Canada Inc for building construction as part of Phase 1D with a total commitment of \$499 million, excluding taxes. CAMH has incurred \$58.9 million [\$49.0 million CAMH Foundation share and \$9.9 million MOH share] in capital costs, which are included in construction-in-progress under capital asset [note 5].

4. Long-term investments

| | 2024 | 2023 |
|------------------------------------|----------------|----------------|
| | \$ | \$ |
| Guaranteed investment certificates | 130,412 | 127,490 |
| Other | 2,206 | 2,106 |
| | <u>132,618</u> | <u>129,596</u> |

As at March 31, 2024, GICs have an average term of maturity of 0.5 years [2023 – 0.7 years], with an average yield of 5.7% [2023 – 5.0%].

GIC's are included in long-term investments to the extent required for investments to equal the total of deferred contributions related to research funds and other deferred contributions [note 7], unspent deferred capital contributions [note 8] and internally restricted net assets.

GIC's and other investments are measured as Level 1 and Level 3 financial instruments, respectively.

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5. Capital assets

| | 2024 | | |
|------------------------------------|------------------|-------------------------------------|---------------------------|
| | Cost | Accumulated amortization | Net book value |
| | \$ | \$ | \$ |
| Land | 9,101 | — | 9,101 |
| Buildings | 75,831 | 57,455 | 18,376 |
| Equipment and furniture | 163,723 | 141,466 | 22,257 |
| Site redevelopment <i>[note 3]</i> | | | |
| Buildings | 810,769 | 142,309 | 668,460 |
| Equipment and furniture | 45,081 | 32,577 | 12,504 |
| Construction-in-progress | 86,291 | — | 86,291 |
| | 1,190,796 | 373,807 | 816,989 |
| | | | |
| | 2023 | | |
| | Cost | Accumulated amortization | Net book value |
| | \$ | \$ | \$ |
| Land | 9,101 | — | 9,101 |
| Buildings | 80,890 | 61,855 | 19,035 |
| Equipment and furniture | 160,747 | 130,778 | 29,969 |
| Site redevelopment <i>[note 3]</i> | | | |
| Buildings | 796,393 | 123,988 | 672,405 |
| Equipment and furniture | 45,072 | 28,885 | 16,187 |
| Construction-in-progress | 44,956 | — | 44,956 |
| | 1,137,159 | 345,506 | 791,653 |

Construction-in-progress consists primarily of Phase 1D of the redevelopment project *[note 3(c)]*.

During the year, CAMH wrote off various building-related components with a cost of \$12.5 million [2023 – \$15.2 million] and accumulated amortization of \$12.3 million [2023 – \$15.0 million] for a net loss on disposal of \$0.2 million [2023 – \$0.2 million].

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6. Credit facilities

In addition to third-party debt related to the redevelopment project [note 3], CAMH has entered into a \$15 million revolving demand facility, available by the way of prime based loans, overdrafts, bankers' acceptances ["BAs"], letters of credit ["LCs"] or letters of guarantee ["LGs"] to finance general operating requirements. Prime based loans and overdrafts bear interest at the prime rate minus 0.75% per annum. BAs bear interest at a rate determined at the time of their acceptance and have a stamping fee of 0.5% per annum. LCs and LGs bear interest at a rate determined at the time of their acceptance. No amounts were drawn on this facility as at March 31, 2024 or 2023. A further credit facility exists for corporate credit cards up to a maximum of \$0.25 million.

7. Deferred contributions

[a] Deferred contributions related to research funds represent unspent restricted grants received for research. The changes in the deferred contributions balance related to research funds are as follows:

| | 2024 | 2023 |
|--|-----------------|----------|
| | \$ | \$ |
| Balance, beginning of year | 62,058 | 58,577 |
| Amounts received during the year | 86,380 | 82,260 |
| Amounts recognized as revenue during the year | (80,581) | (78,433) |
| Amounts transferred to deferred capital contributions [note 8] | (503) | (346) |
| Balance, end of year | 67,354 | 62,058 |

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

| | 2024 | 2023 |
|--|------------------|----------|
| | \$ | \$ |
| Balance, beginning of year | 33,590 | 29,116 |
| Amounts received during the year | 135,838 | 102,573 |
| Amounts recognized as revenue during the year | (119,828) | (79,991) |
| Amounts transferred to MOH payable during the year | (10,997) | (18,108) |
| Balance, end of year | 38,603 | 33,590 |

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8. Deferred capital contributions

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

| | 2024 \$ | 2023 \$ |
|---|-----------------|------------|
| Balance, beginning of year | 741,431 | 745,260 |
| Contributions received or receivable for capital purposes | 75,705 | 26,983 |
| Amounts transferred from deferred contributions [note 7] | 503 | 346 |
| Amortization of deferred capital contributions | (30,552) | (31,158) |
| Balance, end of year | 787,087 | 741,431 |

Included in the above balances are contributions of \$10.8 million [2023 – \$8.9 million] received but not yet used to purchase capital assets [note 5].

9. Asset retirement obligation

An asset retirement obligation of \$3.7 million [2023 – \$3.6 million] is included in the statement of financial position, representing the estimated asbestos costs for two specific buildings and site restoration costs related to a Cyclotron machine.

| | 2024 \$ | 2023 \$ |
|-----------------------------------|--------------|------------|
| Balance, beginning of year | 3,561 | 3,318 |
| Accretion expense | 131 | 243 |
| Balance, end of year | 3,692 | 3,561 |

10. Employee benefit plans

[a] Multi-employer pension plans

CAMH's contributions to HOOPP during the year amounted to \$23.0 million [2023 – \$19.7 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, 2023 and disclosed net assets available for benefits of \$112,635 million with pension obligations of \$102,454 million, resulting in a surplus of \$10,181 million.

CAMH's contributions to the OPSEU Pension Plan during the year amounted to \$1.1 million [2023 – \$1 million] and are included in compensation expense in the statement of operations. The most recent actuarial valuation for financial reporting purposes was completed by OPSEU Pension Plan as at December 31, 2023 and disclosed net assets available for benefits of \$25,140 million with pension obligations of \$22,064 million, resulting in a surplus of \$3,076 million..

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[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, 2023.

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

| | 2024 | 2023 |
|----------------------------------|--------------|--------------|
| | \$ | \$ |
| Accrued benefit obligation | 2,141 | 1,839 |
| Unamortized actuarial gain | 154 | 316 |
| Accrued benefit liability | 2,295 | 2,155 |

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

| | 2024 | 2023 |
|---------------------------------------|------------|------------|
| | \$ | \$ |
| Current period benefit cost | 168 | 145 |
| Amortization of actuarial (gain) loss | 7 | (6) |
| Interest expense | 97 | 75 |
| | 272 | 214 |

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

| | 2024 | 2023 |
|--------------------------------------|------|------|
| | % | % |
| Accrued benefit obligation | | |
| Discount rate | 4.70 | 4.50 |
| Health-care cost trend rate | 5.60 | 5.60 |
| Ultimate health-care cost trend rate | 3.57 | 3.57 |
| Dental cost trend rate | 5.00 | 5.00 |
| Benefit expense | | |
| Discount rate | 4.50 | 3.60 |
| Health-care cost trend rate | 5.60 | 5.60 |
| Ultimate health-care cost trend rate | 3.57 | 3.57 |

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

| | 2024 | 2023 |
|------------------------|------|------|
| | \$ | \$ |
| Employer contributions | 132 | 148 |
| Benefits paid | 132 | 148 |

11. 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 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 the Centre for Addiction and Mental Health [CAMH], the Canadian Mental Health Association – National [“CMHA National”] and Crisis Services Canada [CSC] under the Health Promotion Program – Suicide Prevention]. During the year, CAMH received funding of \$38.9 million [2023 – \$8.8 million] from PHAC in relation to this project and recognized revenue of \$34.5 million [2023 – \$7.5 million] for incurred expenses of \$34.5 million [2023 – \$7.5 million]. The remaining funding of \$6.6 million [2023 – \$2.2 million] has been recorded in other deferred contributions.

Coping for All Project

On December 29, 2021, CAMH entered into a 24-month contribution agreement with 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 and CSC under the Health Promotion Program – Suicide Prevention. During the year, CAMH received no additional funding [2023 – \$0.8 million] from PHAC in relation to this project and recognized revenue of \$0.2 million [2023 – \$0.6 million] for incurred expenses of \$0.2 million [2023 – \$0.6 million]. The remaining funding of \$0.2 million [2023 – \$0.4 million] has been recorded in other deferred contributions.

12. 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. As at March 31, 2024, the Foundation holds \$295.9 million [\$2023 - \$268.2 million] in unrestricted, restricted and endowment funds.

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CAMH has entered into two funding agreements with the Foundation. The CAMH Phase 1C Redevelopment Project grant is for \$47 million to support Phase 1C of the redevelopment project and expires March 31, 2033. During the year, CAMH received grants of \$2.8 million [2023 - \$1.9 million] for a cumulative receipt of \$4.7 million to March 31, 2024. The CAMH Phase 1D Research Building grant is for \$240 million to support Phase 1D of redevelopment project and expires March 31, 2030. During the year, CAMH received grants of \$11.0 million [2023 - \$8 million] for a cumulative receipt of \$19 million to date. The receipt of funding under these grant agreements is contingent upon receipt of the pledged funds by the Foundation and funding may be limited or restructured at any time as a result of changed in the schedule or amount of donations from principal funders.

Including the above, for the year ended March 31, 2024, the Foundation granted CAMH \$69.1 million [2023 – \$34.9 million] to fund capital projects, research projects and other operating activities, which are recorded in research and other grants, deferred contributions related to research funds, other deferred contributions or deferred capital contributions.

As at March 31, 2024, CAMH has amounts due from the Foundation of \$37.2 million [2023 – \$7.8 million] recorded in accounts receivable, which consists 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.

13. Interfund transfer

During the year, the Board of Trustees approved a transfer of \$18.5 million [2023 – \$4 million] from unrestricted to internally restricted net assets for strategic initiatives.

14. 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, 2024.

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 was no distribution receivable from HIROC as at March 31, 2024 or 2023.

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15. Commitments

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

| | \$ |
|------------|---------------|
| 2025 | 2,978 |
| 2026 | 2,810 |
| 2027 | 2,267 |
| 2028 | 2,252 |
| 2029 | 2,252 |
| Thereafter | 20,267 |
| | <u>32,826</u> |

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.

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 \$1.8 million [2023 – \$10.1 million] in funding from the MOH.

In addition, in 2023 the Hospital received \$4.4 million in temporary pandemic pay funding for eligible staff, temporary nurse incentive, temporary wage enhancement and temporary physician pay funding, which was offset in compensation in the statement of operations, since the Hospital acted as an agent for the MOH in respect of distributing the pay to staff and physicians. The Hospital did not receive temporary pandemic pay funding in the current year.

17. 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.

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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 were \$0.9 million [2023 - \$1.0 million] as at March 31, 2024.

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.

18. Subsequent events

On May 1, 2024, CAMH issued a bond of \$120 million with a maturity term of 40 years at an interest rate of 5.2% to finance the redevelopment project *[note 3]*. Further, CAMH secured a revolving bank loan facility for \$50 million at the bank's prime lending rate less 0.25% to provide additional financing for the redevelopment project *[note 3]*.

CAMH has invested the bond proceeds of \$120 million, less related fees, in a 23-month non-redeemable GIC to earn interest income to recuperate interest expense incurred on the bond issue until 2027 when the funds will be needed for the redevelopment project.

19. Comparative financial statements

The comparative financial statements have been reclassified from financial statements previously presented to conform to the presentation of the 2024 financial statements.