

Financial Statements

MARCH 31, 2008

AUDITORS' REPORT

To the Trustees of the Centre for Addiction and Mental Health

We have audited the balance sheet of the Centre for Addiction and Mental Health ["CAMH"] as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of CAMH's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of CAMH as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Corporations Act (Ontario), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Chartered Accountants
Licensed Public Accountants
Toronto, Canada,
May 21, 2008.

Balance Sheet

AS AT MARCH 31

	2008 \$	2007 \$
ASSETS		
Current		
Cash [note 3]	49,523,300	44,509,142
Cash held in trust [note 4]	630,598	760,491
Accounts receivable [note 5]	6,504,725	8,900,634
Inventories	882,058	851,124
Prepaid expenses	1,043,750	1,165,709
Total current assets	58,584,431	56,187,100
Investments [note 3]	47,582,568	57,014,854
Capital assets, net [note 6]	85,282,278	53,613,712
	191,449,277	166,815,666
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	57,953,833	55,426,609
Patients' trust accounts [note 4]	630,598	760,491
Total current liabilities	58,584,431	56,187,100
Deferred contributions related to research funds [note 8[a]]	22,829,593	19,180,844
Other deferred contributions [note 8[b]]	3,650,461	3,897,759
Deferred capital contributions [note 7]	71,073,082	53,746,974
Total liabilities	156,137,567	133,012,677
Commitments and contingencies [notes 6, 12 and 13]		
Net assets		
Invested in capital assets [note 9]	18,989,924	12,255,007
Internally restricted [note 14]	16,295,159	21,521,355
Unrestricted	—	—
Endowment	26,627	26,627
Total net assets	35,311,710	33,802,989
	191,449,277	166,815,666

See accompanying notes

Approved by the Board:



Chair, Board of Trustees



Trustee

Statement of Operations

YEAR ENDED MARCH 31

	2008 \$	2007 \$
REVENUE		
Ministry of Health and Long-Term Care/ Toronto Central Local Health Integration Network <i>[note 8[b]]</i>	232,498,616	225,054,070
Patient revenue	719,843	668,124
Grants and donations <i>[note 8[a]]</i>	26,181,030	26,623,096
Ancillary and other	16,735,256	12,587,287
Amortization of deferred capital contributions	3,049,874	3,337,007
Interest	3,382,410	3,448,443
	282,567,029	271,718,027
EXPENSES		
Salaries, wages and employee benefits <i>[notes 8[a] and 10]</i>	213,038,792	198,321,887
Supplies and other expenses <i>[notes 6 and 8[a]]</i>	54,484,799	53,234,748
Depreciation	4,843,138	5,609,818
Rent	2,359,788	2,258,117
Drugs and medical supplies	4,005,572	4,198,539
Medical and surgical <i>[note 8[a]]</i>	2,326,219	2,900,475
	281,058,308	266,523,584
Excess of revenue over expenses for the year	1,508,721	5,194,443

See accompanying notes

Statement of Changes in Net Assets

YEAR ENDED MARCH 31

	2008					2007
	Invested in capital assets	Internally restricted	Unrestricted	Endowment	Total	Total
	\$	\$	\$	\$	\$	\$
	<i>[note 9]</i>	<i>[note 14]</i>				
Net assets, beginning of year	12,255,007	21,521,355	—	26,627	33,802,989	28,608,546
Excess of revenue over expenses for the year	—	—	1,508,721	—	1,508,721	5,194,443
Interfund transfer <i>[note 14]</i>	—	1,508,721	(1,508,721)	—	—	—
Net change in invested in capital assets <i>[note 9[b]]</i>	6,734,917	(6,734,917)	—	—	—	—
Net assets, end of year	18,989,924	16,295,159		26,627	35,311,710	33,802,989

See accompanying notes

Statement of Cash Flows

YEAR ENDED MARCH 31

	2008 \$	2007 \$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	1,508,721	5,194,443
Add (deduct) items not affecting cash		
Depreciation	4,843,138	5,609,818
Amortization of deferred capital contributions	(3,049,874)	(3,337,007)
	3,301,985	7,467,254
Net change in non-cash working capital balances related to operations	5,014,158	4,315,202
Net change in deferred contributions related to research funds	3,648,749	(1,130,264)
Net change in other deferred contributions	(247,298)	1,247,780
Cash provided by operating activities	11,717,594	11,899,972
INVESTING AND FINANCING ACTIVITIES		
Purchase of capital assets	(36,511,704)	(14,099,908)
Contributions restricted for capital purposes	20,375,982	19,415,290
Decrease (increase) in investments	9,432,286	(30,142,103)
Cash used in investing and financing activities	(6,703,436)	(24,826,721)
Net increase (decrease) in cash during the year	5,014,158	(12,926,749)
Cash, beginning of year	44,509,142	57,435,891
Cash, end of year	49,523,300	44,509,142

See accompanying notes

Notes to Financial Statements

MARCH 31, 2008

1. INCORPORATION

The Centre for Addiction and Mental Health [“CAMH”] is a hospital located on four primary sites in Toronto, with regional programs throughout the province of Ontario. CAMH is dedicated to providing clinical care, research, education and policy and health promotion in connection to addiction and mental health. CAMH was incorporated by Letters Patent of Amalgamation under the Corporations Act (Ontario) without share capital on January 23, 1998. CAMH is also a charitable organization registered under 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 Hospital Act (Ontario).

2. SIGNIFICANT ACCOUNTING POLICIES

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 [the “Foundation”], a non-controlled affiliated entity [note 11]. Management has prepared the financial statements in accordance with Canadian generally accepted accounting principles.

Use of estimates

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and 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 results could differ from those estimates.

In particular, the amount of revenue recognized from the Ministry of Health and Long-Term Care [the “Ministry”] and the Toronto Central Local Health Integration Network [the “TC-LHIN”] is a significant estimate. CAMH entered into a Hospital Accountability Agreement [the “HAA”] that sets out the rights and obligations of the parties in respect of funding provided to CAMH by the Ministry for fiscal 2007 and 2008. This agreement was assigned to the TC-LHIN effective April 1, 2007. Beginning in fiscal 2009, the HAA will be replaced by a Hospital Service Accountability Agreement [the “H-SAA”] between CAMH and the TC-LHIN.

The HAA sets out certain performance standards and obligations that establish acceptable results for CAMH’s performance in a number of areas. If CAMH does not meet its performance standards or obligations, the TC-LHIN has the right to adjust funding received by CAMH. The TC-LHIN and the Ministry are not required to communicate certain funding adjustments until after the submission of year-end data. Since some data is not submitted until after the completion of the financial statements, the amount of funding received during the year from the TC-LHIN and the Ministry may be increased or decreased subsequent to year end. The amount of revenue recognized in these financial statements represents management’s best estimate of amounts that have been earned during the year.

Revenue recognition

CAMH follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions, for purposes other than endowment, are deferred and recognized in the year in which the related expenses are recognized.

Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized when earned.

Contributions externally restricted for capital assets are recorded as deferred capital contributions and are amortized to operations on the same basis as the related asset is depreciated, except for restricted contributions for the purchase of land, which are recorded as increases in net assets invested in capital assets.

Ancillary revenue is recognized when services are provided.

Short-term investments

Short-term investments are recorded at amortized cost, which approximates market value.

Inventories

Inventories are valued at the lower of average cost and replacement cost.

Capital assets

Purchased capital assets are recorded at cost less accumulated depreciation. Contributed capital assets are recorded at fair value at the date of contribution and are depreciated. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	20 – 40 years
Equipment	5 – 15 years

Contributed materials and services

Because of the difficulty in determining the fair value of volunteers' services, contributed services are not recognized in the financial statements. Contributed materials are also not recognized in these financial statements.

Employee benefit plans

Contributions to a multi-employer defined benefit pension plan are expensed when due.

Change in accounting policies

Effective April 1, 2008, CAMH adopted the recommendations of the Canadian Institute of Chartered Accounts ["CICA"] 3855: Financial Instruments – Recognition and Measurement and CICA 3861: Financial Instruments – Disclosure and Presentation. CICA 3855 establishes standards for recognizing and measuring financial instruments, including the accounting treatment for changes in fair value. As permitted by CICA 3855, CAMH's financial assets and liabilities continue to be presented at amortized cost, which approximates fair value. The adoption of CICA 3855 and 3861 did not have a significant impact on the financial statements in the prior or current year.

Future changes in accounting policies

The CICA has issued two new standards, CICA 3862: Financial Instruments – Disclosures and CICA 3863: Financial Instruments – Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new accounting standard, CICA 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

In addition, the CICA has issued a new accounting standard, CICA 3031: Inventories, which requires additional disclosure and sets out new rules that may affect the valuation of inventories.

These changes in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements, except for CICA 3031: Inventories. The impact of this section on the financial statements has not yet been determined.

3. CASH

An amount of cash equal to deferred contributions related to research funds [note 8[a]], other deferred contributions [note 8[b]], unspent deferred capital contributions [note 7], endowment net assets and internally restricted net assets have been recorded as long-term investments.

4. CASH HELD IN TRUST

CAMH manages the monies of its patients or former patients, received from the Ministry of Community and Social Services, pursuant to a custodial and trust arrangement. The cash held in trust is offset by a corresponding liability.

5. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2008	2007
	\$	\$
Ministry of Health and Long-Term Care/TC-LHIN	1,790,591	940,337
Patients	256,989	116,949
Research related	2,128,535	4,144,970
The Centre for Addiction and Mental Health Foundation [note 11]	269,965	1,207,503
Other	2,058,645	2,490,875
	6,504,725	8,900,634

6. CAPITAL ASSETS

Capital assets consist of the following:

	2008		
	Cost	Accumulated depreciation	Net book value
	\$	\$	\$
Land	9,485,465	—	9,485,465
Buildings	35,536,072	10,441,644	25,094,428
Equipment	50,666,382	40,408,651	10,257,731
Site redevelopment costs	40,444,654	—	40,444,654
	136,132,573	50,850,295	85,282,278

	2007		
	Cost	Accumulated depreciation	Net book value
	\$	\$	\$
Land	9,485,465	—	9,485,465
Buildings	33,874,258	8,756,978	25,117,280
Equipment	45,369,491	37,250,179	8,119,312
Site redevelopment costs	10,891,655	—	10,891,655
	99,620,869	46,007,157	53,613,712

CAMH is undertaking a multi-phase project to transform the Queen Street site from a traditional psychiatric hospital into a world-class centre for mental health and addiction care, research, education and health promotion and prevention, centred on the concept of an urban village [the “Project”]. CAMH will consolidate operations from its four main sites into a new, redeveloped site which will serve as the central hub for CAMH’s programs, services and resources.

In fiscal 2007, CAMH received approval from the Ministry to proceed with construction of Phase 1A of the Project with an approved budget of approximately \$35.2 million. The construction contract for this phase was awarded on September 18, 2006 with a base contract amount of approximately \$24.9 million. As at March 31, 2008, the remaining commitment in connection with this base contract is \$644,175. Phase 1A was substantially completed March 14, 2008 on budget, and was occupied on April 7, 2008.

Phase 1B of the Project is still in the planning and design stage and awaiting government approval. The Early Works Project [offsite lease and improvements] and the Enabling Works Project [site-works, decanting and demolition of Administration Building] in preparation for Phase 1B started during fiscal 2008. CAMH received approval from the Ministry on October 17, 2007, to proceed with the Early Works Project with a budget of \$9.8 million. The Ministry's share of eligible costs will be considered for cost sharing as part of the Project, planned to begin in fiscal 2009. CAMH has agreed it will assume initial responsibility for the capital costs of Phase 1B.

7. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. The changes in the deferred capital contributions balance are as follows:

	2008 \$	2007 \$
Balance, beginning of year	53,746,974	37,668,691
Less amortization of deferred capital contributions	(3,049,874)	(3,337,007)
Add contributions restricted for capital purposes [note 6]	20,375,982	19,415,290
Balance, end of year	71,073,082	53,746,974

Included in the above balance are contributions of \$4,780,728 [2007 - \$12,388,269] received but not yet used to purchase capital assets [note 3].

8. DEFERRED CONTRIBUTIONS

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

	2008 \$	2007 \$
Balance, beginning of year	19,180,844	20,311,108
Amount received during the year	29,829,779	25,492,832
Amount recognized as revenue during the year	(26,181,030)	(26,623,096)
Balance, end of year	22,829,593	19,180,844

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

	2008	2007
	\$	\$
Salaries and employee benefits	12,809,082	12,927,588
Supplies and other	11,499,260	11,193,238
Medical and surgical	1,872,688	2,502,270
Amount recognized as revenue during the year	26,181,030	26,623,096

[b] Other deferred contributions represent unspent externally restricted grants and donations for various programs. The changes in the other deferred contributions balance are as follows:

	2008	2007
	\$	\$
Balance, beginning of year	3,897,759	2,649,979
Amount received during the year	2,613,123	4,044,224
Amount recognized as revenue during the year	(2,860,421)	(2,796,444)
Balance, end of year	3,650,461	3,897,759

9. INVESTED IN CAPITAL ASSETS

[a] Invested in capital assets is calculated as follows:

	2008	2007
	\$	\$
Capital assets, net	85,282,278	53,613,712
Amounts financed by deferred capital contributions [note 7]	(66,292,354)	(41,358,705)
	18,989,924	12,255,007

[b] The net change in invested in capital assets is calculated as follows:

	2008	2007
	\$	\$
Purchase of capital assets internally funded	8,528,181	3,187,851
Depreciation of capital assets	(4,843,138)	(5,609,818)
Amortization of deferred capital contributions	3,049,874	3,337,007
	6,734,917	915,040

10. PENSION 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 Hospitals of Ontario Pension Plan [the “Plan”], which is a multi-employer, defined benefit, highest consecutive average earnings, contributory pension plan. The Plan is accounted for as a defined contribution plan. CAMH’s contributions to the Plan during the year amounted to \$8,257,649 [2007 - \$7,795,285] and are included in salaries, wages and employee benefits expense in the statement of operations. The most recent regulatory funding valuation conducted as of December 31, 2006 disclosed actuarial assets of \$25,205 million with accrued pension liabilities of \$25,454 million, resulting in a deficit of \$249 million. The Plan recently determined that these numbers were not correctly stated. Accrued pension liabilities should have been \$25,808 million, resulting in a deficit of \$603 million for the Plan. The regulatory funding valuation conducted as of December 31, 2006 confirmed that the Plan was fully funded on a solvency basis.

Certain employees of CAMH are members of the OPSEU Pension Plan, which is a multi-employer, defined benefit, highest consecutive average earnings, contributory pension plan. The OPSEU Pension Plan is also accounted for as a defined contribution plan. CAMH’s contributions to the OPSEU Pension Plan during the year amounted to \$2,294,193 [2007 - \$2,198,382] and are included in salaries, wages and employee benefits expense in the statement of operations. The most recent actuarial valuation of the OPSEU Pension Plan as of December 31, 2006 indicated the plan was fully funded.

11. AFFILIATED ENTITIES

The Foundation is an independent corporation without share capital that has its own Board of Directors. The Foundation is responsible for all fundraising activities carried out on behalf of CAMH and provides donations to CAMH for capital and research purposes. The accounts of the Foundation are not included in these financial statements. As at March 31, 2008, the Foundation had net assets of \$29,443,245 [2007 - \$23,957,307]. Grants from the Foundation during the year totalled \$2,527,030 [2007 - \$2,124,612]. These amounts were used to fund capital assets and research projects. At March 31, 2008, there was \$269,965 [2007 - \$1,207,503] receivable from the Foundation included in accounts receivable related to the above-noted contributions and amounts paid by CAMH on behalf of the Foundation.

1437475 Ontario Inc. [the “company”] is an independent company of which CAMH owns 24% of the shares issued and outstanding. CAMH received the shares as partial compensation in return for certain technology transferred to the company during the year ended March 31, 2001. The investment is recorded at a nominal value of \$1. The company remained inactive throughout the fiscal year.

12. CONTINGENCIES

[a] CAMH participates in the Health Care 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 that 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, 2008.

[b] CAMH is subject to various claims and potential claims. Where the potential liability is likely and determinable, management has recorded its best estimate of the potential liability. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the year during which the liability is determinable or adjustments to the amount recorded are determined to be required.

13. LEASE COMMITMENTS

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

	\$
2008	3,438,550
2009	3,217,644
2010	3,080,386
2011	2,773,593
2012	2,104,544
Thereafter	6,456,089
	<u>21,070,806</u>

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

14. INTERNALLY RESTRICTED NET ASSETS

Internally restricted net assets represent amounts set aside by the Board of Directors for site redevelopment and information technology.

15. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2008 financial statements.



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