

Centre for Addiction and Mental Health

Financial Statements

MARCH 31, 2004



Centre for Addiction and Mental Health
Centre de toxicomanie et de santé mentale

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, 2004, 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, 2004, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

CHARTERED ACCOUNTANTS

TORONTO, CANADA

MAY 25, 2004

Balance Sheet

AS AT MARCH 31

ASSETS	2004 \$	2003 \$
CURRENT		
Cash and short-term investments <i>[note 3]</i>	58,896,930	47,199,579
Cash held in trust <i>[note 4]</i>	511,574	577,818
Accounts receivable <i>[notes 5 and 12]</i>	16,999,466	12,072,550
Inventories	422,319	399,172
Prepaid expenses	446,964	458,000
Total current assets	77,277,253	60,707,119
Investment <i>[note 12]</i>	1	1
Capital assets, net <i>[note 6]</i>	41,589,923	42,512,273
	118,867,177	103,219,393

LIABILITIES AND NET ASSETS

CURRENT		
Accounts payable and accrued liabilities	48,200,637	40,719,078
Patients' trust accounts <i>[note 4]</i>	511,574	577,818
Deferred revenue	2,227,852	2,470,026
Deferred contributions related to research funds <i>[note 8]</i>	19,683,777	17,224,833
Total current liabilities	70,623,840	60,991,755
Deferred capital contributions <i>[note 7]</i>	27,699,448	30,387,377
Total liabilities	98,323,288	91,379,132
Contingencies <i>[note 13]</i>		

NET ASSETS

Invested in capital assets <i>[note 9[a]]</i>	13,890,475	12,124,896
Unrestricted	6,626,787	(311,262)
Endowment	26,627	26,627
Total net assets	20,543,889	11,840,261
	118,867,177	103,219,393

See accompanying notes

Approved by the Board:



CHAIR
BOARD OF TRUSTEES



CHAIR
AUDIT AND FINANCE COMMITTEE

Statement of Operations

YEAR ENDED MARCH 31

REVENUE	2004 \$	2003 \$
Ministry of Health and Long-Term Care	206,166,457	194,750,973
Out-of-province clients	334,441	79,303
Differential charges for preferred accommodation	251,739	415,571
Grants, contributions and donations <i>[note 8]</i>	21,580,489	18,125,615
Ancillary	13,643,126	13,144,759
Amortization of deferred capital contributions	4,548,422	3,868,119
Interest	1,476,768	915,363
	248,001,442	231,299,703

EXPENSES

Salaries, wages and employee benefits <i>[note 10]</i>	182,567,449	170,268,540
Supplies and other expenses	44,803,316	41,713,374
Depreciation	5,827,014	5,188,886
Rent	2,129,357	2,261,764
Drugs and medical supplies	3,367,390	3,101,679
Medical and surgical	603,288	411,900
Restructuring costs <i>[note 11]</i>	—	1,898,297
	239,297,814	224,844,440
Excess of revenue over expenses for the year	8,703,628	6,455,263

See accompanying notes

Statement of Cash Flows

YEAR ENDED MARCH 31

	2004	2003
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	8,703,628	6,455,263
Add (deduct) items not affecting cash		
Depreciation	5,827,014	5,188,886
Amortization of deferred capital contributions	(4,548,422)	(3,868,119)
	9,982,220	7,776,030
Net change in non-cash working capital balances related to operations	4,759,302	7,516,898
Cash provided by operating activities	14,741,522	15,292,928

INVESTING AND FINANCING ACTIVITIES

Purchase of capital assets	(4,904,664)	(8,738,149)
Contributions restricted for capital purposes	1,860,493	3,113,142
Cash used in investing and financing activities	(3,044,171)	(5,625,007)
Net increase in cash during the year	11,697,351	9,667,921
Cash and short-term investments, beginning of year	47,199,579	37,531,658
Cash and short-term investments, end of year	58,896,930	47,199,579

See accompanying notes

Statement of Changes in Net Assets

YEAR ENDED MARCH 31

	2004				2003
	INVESTED IN CAPITAL ASSETS	UNRESTRICTED	ENDOWMENT	TOTAL	TOTAL
	\$	\$	\$	\$	\$
Net assets, beginning of year	12,124,896	(311,262)	26,627	11,840,261	5,384,998
Excess of revenue over expenses for the year	—	8,703,628	—	8,703,628	6,455,263
Net change in invested in capital assets [note 9[b]]	1,765,579	(1,765,579)	—	—	—
Net assets, end of year	13,890,475	6,626,787	26,627	20,543,889	11,840,261

See accompanying note

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 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.

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. Management has prepared the financial statements in accordance with Canadian generally accepted accounting principles.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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.

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, which include donations and government grants, for purposes other than endowment, are deferred and recognized in the year in which the related expenses are recognized.

Endowment fund 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.

Grants and 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.

Short-term investments

Short-term investments are recorded at the lower of cost and 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:

Building	20–40 years
Equipment	5–15 years
Land improvements	10 years

A half-year of depreciation is recorded in the year of acquisition.

Notes to Financial Statements [continued]

Deferred capital contributions

Capital contributions for the purpose of acquiring capital assets are deferred and amortized on the same basis, and over the same period, as the related capital assets.

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

MULTI-EMPLOYER PLAN

Certain employees of CAMH and all new employees of CAMH are eligible to be members of the Hospitals of Ontario Pension Plan ["HOOPP"], which is a multi-employer, defined benefit, final average earnings, contributory pension plan. Defined contribution plan accounting, whereby contributions are expensed when due, is applied to HOOPP as CAMH has insufficient information to apply defined benefit plan accounting. Certain employees of CAMH, because of their employment with the predecessor organizations, are members of the Ontario Public Service Employees' Union Pension Plan [the "OPSEU Pension Plan"], which is a multi-employer, defined benefit, final average earnings, contributory pension plan. Defined contribution plan accounting is applied to the OPSEU Pension Plan as CAMH has insufficient information to apply defined benefit plan accounting.

3. CASH AND SHORT-TERM INVESTMENTS

CAMH's investment policy restricts short-term investments to highly liquid, high-grade Canadian federal and provincial government bonds, treasury bills and commercial paper.

4. CASH HELD IN TRUST

CAMH manages the monies of its patients or former patients, received from the Ministry of Health and Long-Term Care [the "MOHLTC"], 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:

	2004	2003
	\$	\$
Ministry of Health and Long-Term Care	9,728,323	6,285,567
Patients	370,503	290,214
Other	6,900,640	5,496,769
	16,999,466	12,072,550

6. CAPITAL ASSETS

Capital assets consist of the following:

	2004		
	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
	\$	\$	\$
Land	9,485,465	—	9,485,465
Building	23,342,657	5,394,057	17,948,600
Equipment	37,748,804	23,592,946	14,155,858
	70,576,926	28,987,003	41,589,923

Notes to Financial Statements [continued]

	2003		
	COST \$	ACCUMULATED DEPRECIATION \$	NET BOOK VALUE \$
Land	9,485,465	—	9,485,465
Building	22,903,881	4,348,085	18,555,796
Equipment	33,021,236	18,616,065	14,405,171
Land improvements	261,682	195,841	65,841
	65,672,264	23,159,991	42,512,273

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:

	2004 \$	2003 \$
Balance, beginning of year	30,387,377	31,142,354
Less amortization of deferred capital contributions	(4,548,422)	(3,868,119)
Add contributions restricted for capital purposes	1,860,493	3,113,142
Balance, end of year	27,699,448	30,387,377

8. DEFERRED CONTRIBUTIONS RELATED TO RESEARCH FUNDS

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

	2004 \$	2003 \$
Balance, beginning of year	17,224,833	15,169,836
Amount received related to future periods	24,039,433	20,180,612
Amount recognized as revenue during the year	(21,580,489)	(18,125,615)
Balance, end of year	19,683,777	17,224,833

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

	2004 \$	2003 \$
Salaries	11,230,904	11,044,259
Employee benefits	2,260,495	2,260,428
Supplies and other	7,262,044	4,067,908
Education and conference	827,046	753,020
Amount recognized as revenue during the year	21,580,489	18,125,615

9. INVESTED IN CAPITAL ASSETS

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

	2004 \$	2003 \$
Capital assets, net	41,589,923	42,512,273
Amounts financed by deferred capital contributions	(27,699,448)	(30,387,377)
	13,890,475	12,124,896

Notes to Financial Statements [continued]

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

	2004 \$	2003 \$
Purchase of capital assets internally funded	3,044,171	5,625,007
Depreciation of capital assets	(5,827,014)	(5,188,886)
Amortization of deferred capital contributions	4,548,422	3,868,119
	1,765,579	4,304,240

10. PENSION PLAN

Certain employees of CAMH and all new employees of CAMH are eligible to be members of HOOPP ["Plan"], which is a multi-employer, defined benefit, final 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 \$5,655,069 [2003: \$3,370,756] and are included in employee benefits expense in the statement of operations. The most recent actuarial valuation as at December 31, 2003, indicates the Plan is fully funded. Certain employees of CAMH are members of the OPSEU Pension Plan, which is a multi-employer, defined benefit, final average earnings, contributory pension plan. The OPSEU Pension Plan is accounted for as a defined contribution plan. CAMH's contributions to the OPSEU Pension Plan during the year amounted to \$2,169,241 [2003: \$2,306,952] and are included in employee benefits expense in the statement of operations. The most recent actuarial valuation of the OPSEU Pension Plan as at December 31, 2003, indicates the plan is fully funded.

11. RESTRUCTURING COSTS

In conjunction with the amalgamation, CAMH undertook a reorganization of its staff. Reorganization costs were substantially funded through a MOHLTC program that expired March 31, 2003. Therefore, related costs to CAMH were nil in 2004 [2003: \$1,884,137]. In addition, at March 31, 2004, no costs were accrued and included in accounts payable [2003: \$471,240].

	2004 \$	2003 \$
Restructuring expenses	—	1,898,297
Less		
Ministry of Health reimbursements related to 2000/2001	—	(697,724)
Ministry of Health reimbursements related to 2001/2002	—	(131,275)
Ministry of Health reimbursements related to 2002/2003	—	(982,000)
	—	87,298

12. AFFILIATED ENTITY

The Foundation is an independent corporation without share capital that has its own Board of Directors. The Foundation 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, 2004, the Foundation had net assets of \$2,799,650 [2003: \$1,324,456]. During the year ended March 31, 2004, amounts received or receivable from the Foundation totalled \$1,271,089 [2003: \$958,321]. These amounts were used to fund capital assets and research projects. At March 31, 2004, there was \$1,412,863 [2003: \$711,817] receivable from the Foundation related to the above-noted contributions and amounts paid by CAMH on behalf of the Foundation.

1437475 Ontario Inc. 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 corporation during the year ended March 31, 2001. The investment is recorded at a nominal value of \$1. Given that 1437475 Ontario Inc. remained inactive throughout 2003/04, the promissory note and corresponding deferred revenue were written down to nil.

Notes to Financial Statements [continued]

13. CONTINGENCIES

CAMH participates 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 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, 2004.

14. LEASE COMMITMENTS

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

	\$
2005	1,995,598
2006	1,959,667
2007	1,760,827
2008	1,526,899
2009	1,280,183
Thereafter	8,506,084



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A Pan American Health Organization /
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Affiliated with the University of Toronto

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