

# Financial Statements

MARCH 31, 2005

Centre for Addiction and Mental Health

# 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, 2005, 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, 2005, 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 13, 2005

# Balance Sheet

AS AT MARCH 31

<b>Assets</b>	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Cash and short-term investments <i>[note 3]</i>	<b>66,731,239</b>	58,896,930
Cash held in trust <i>[note 4]</i>	<b>562,419</b>	511,574
Accounts receivable <i>[notes 5 and 11]</i>	<b>10,034,209</b>	16,999,466
Inventories	<b>424,136</b>	422,319
Prepaid expenses	<b>556,922</b>	446,964
<b>Total current assets</b>	<b>78,308,925</b>	77,277,253
Investment <i>[note 11]</i>	<b>1</b>	1
Capital assets, net <i>[note 6]</i>	<b>44,838,154</b>	41,589,923
	<b>123,147,080</b>	118,867,177

## Liabilities and Net Assets

### Current

Accounts payable and accrued liabilities	<b>48,681,628</b>	48,200,637
Patients' trust accounts <i>[note 4]</i>	<b>562,419</b>	511,574
Deferred revenue <i>[note 6]</i>	<b>3,672,625</b>	2,227,852
Deferred contributions related to research funds <i>[note 8]</i>	<b>14,501,488</b>	19,683,777
<b>Total current liabilities</b>	<b>67,418,160</b>	70,623,840
Deferred capital contributions <i>[note 7]</i>	<b>32,919,823</b>	27,699,448
<b>Total liabilities</b>	<b>100,337,983</b>	98,323,288

Contingencies *[note 12]*

### Net assets

Invested in capital assets <i>[note 9[a]]</i>	<b>11,918,331</b>	13,890,475
Unrestricted	<b>10,864,139</b>	6,626,787
Endowment	<b>26,627</b>	26,627
<b>Total net assets</b>	<b>22,809,097</b>	20,543,889
	<b>123,147,080</b>	118,867,177

See accompanying notes

Approved by the Board:



Chair  
Board of Trustees



Chair  
Audit and Finance Committee

# Statement of Operations

YEAR ENDED MARCH 31

<b>Revenue</b>	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>
Ministry of Health and Long-Term Care	<b>208,722,905</b>	206,132,980
Out-of-province clients	<b>444,587</b>	334,441
Differential charges for preferred accommodation	<b>217,871</b>	251,739
Grants, contributions and donations <i>[note 8]</i>	<b>24,143,804</b>	19,087,240
Ancillary	<b>13,143,543</b>	13,676,603
Amortization of deferred capital contributions	<b>3,335,932</b>	4,548,422
Interest	<b>1,233,825</b>	1,476,768
	<b>251,242,467</b>	245,508,193

## Expenses

Salaries, wages and employee benefits <i>[note 10]</i>	<b>191,794,664</b>	181,352,618
Supplies and other expenses	<b>44,301,620</b>	43,524,898
Depreciation	<b>5,597,444</b>	5,827,014
Rent	<b>2,258,687</b>	2,129,357
Drugs and medical supplies	<b>3,690,146</b>	3,367,390
Medical and surgical	<b>3,397,614</b>	603,288
	<b>251,040,175</b>	236,804,565
Excess of revenue over expenses before redevelopment grant	<b>202,292</b>	8,703,628
Redevelopment grant <i>[note 6]</i>	<b>2,062,916</b>	—
<b>Excess of revenue over expenses for the year</b>	<b>2,265,208</b>	8,703,628

*See accompanying notes*

# Statement of Changes in Net Assets

YEAR ENDED MARCH 31

	2005				2004
	INVESTED IN CAPITAL ASSETS	UNRESTRICTED	ENDOWMENT	TOTAL	TOTAL
	\$	\$	\$	\$	\$
<b>Net assets, beginning of year</b>	<b>13,890,475</b>	<b>6,626,787</b>	<b>26,627</b>	<b>20,543,889</b>	11,840,261
Excess of revenue over expenses for the year	—	<b>2,265,208</b>	—	<b>2,265,208</b>	8,703,628
Net change in invested in capital assets [note 9[b]]	<b>(1,972,144)</b>	<b>1,972,144</b>	—	—	—
<b>Net assets, end of year</b>	<b>11,918,331</b>	<b>10,864,139</b>	<b>26,627</b>	<b>22,809,097</b>	20,543,889

*See accompanying note*

# Statement of Cash Flows

YEAR ENDED MARCH 31

	2005 \$	2004 \$
<b>Operating Activities</b>		
Excess of revenue over expenses for the year	<b>2,265,208</b>	8,703,628
Add (deduct) items not affecting cash		
Depreciation	<b>5,597,444</b>	5,827,014
Amortization of deferred capital contributions	<b>(3,335,932)</b>	(4,548,422)
	<b>4,526,720</b>	9,982,220
Net change in non-cash working capital balances related to operations	<b>3,596,957</b>	4,759,302
<b>Cash provided by operating activities</b>	<b>8,123,677</b>	14,741,522
<b>Investing and Financing Activities</b>		
Purchase of capital assets	<b>(8,845,675)</b>	(4,904,664)
Contributions restricted for capital purposes	<b>8,556,307</b>	1,860,493
<b>Cash used in investing and financing activities</b>	<b>(289,368)</b>	(3,044,171)
<b>Net increase in cash during the year</b>	<b>7,834,309</b>	11,697,351
Cash and short-term investments, beginning of year	<b>58,896,930</b>	47,199,579
<b>Cash and short-term investments, end of year</b>	<b>66,731,239</b>	58,896,930

*See accompanying notes*

# Notes to Financial Statements

MARCH 31, 2005

## 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 provide treatment, education and research 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. 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

# 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, highest consecutive 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, highest consecutive 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 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:

	2005 \$	2004 \$
Ministry of Health and Long-Term Care	3,360,691	9,728,323
Patients	384,056	370,503
Other [note 11]	6,289,462	6,900,640
	<b>10,034,209</b>	<b>16,999,466</b>

## 6. Capital Assets

Capital assets consist of the following:

	2005		
	COST \$	ACCUMULATED DEPRECIATION \$	NET BOOK VALUE \$
Land	9,485,465	—	9,485,465
Building	28,470,016	6,413,717	22,056,299
Equipment	41,467,120	28,170,730	13,296,390
	<b>79,422,601</b>	<b>34,584,447</b>	<b>44,838,154</b>

# Notes to Financial Statements

[CONTINUED]

	2004		
	COST \$	ACCUMULATED DEPRECIATION \$	NET BOOK VALUE \$
Land	9,485,465	—	9,485,465
Building	25,018,669	5,394,057	19,624,612
Equipment	36,072,792	23,592,946	12,479,846
	<b>70,576,926</b>	<b>28,987,003</b>	<b>41,589,923</b>

On June 24, 2004 the Ministry of Health and Long-Term Care ["MOHLTC"] committed to provide a \$16 million planning and design grant ["Grant"] for phase I of the Site Redevelopment Project ["Project"]. This multi-phased project will 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. 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.

As at March 31, 2005, CAMH had received \$4,800,000 of the Grant. An amount of \$1,147,950 [note 7] related to phase I costs incurred in this fiscal year and capitalized has been recorded as deferred capital contributions. An amount of \$2,062,916 related to phase I costs expensed in prior years is recorded in the statement of operations. The balance of \$1,589,134 has been deferred and included in deferred revenue. Included in the statement of operations is \$1,031,891 in costs related to other phases of the Project.

## 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:

	2005 \$	2004 \$
Balance, beginning of year	27,699,448	30,387,377
Less amortization of deferred capital contributions	(3,335,932)	(4,548,422)
Add contributions restricted for capital purposes [note 6]	8,556,307	1,860,493
Balance, end of year	<b>32,919,823</b>	<b>27,699,448</b>

## 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:

	2005 \$	2004 \$
Balance, beginning of year	19,683,777	17,224,833
Amount received during the year	18,961,515	21,546,184
Amount recognized as revenue during the year	(24,143,804)	(19,087,240)
Balance, end of year	<b>14,501,488</b>	<b>19,683,777</b>

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

	2005 \$	2004 \$
Salaries and employee benefits	12,498,226	12,276,568
Supplies and other	8,664,347	6,803,247
Medical and surgical	2,981,231	7,425
Amount recognized as revenue during the year	<b>24,143,804</b>	<b>19,087,240</b>

# Notes to Financial Statements

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## 9. Invested In Capital Assets

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

	2005	2004
	\$	\$
Capital assets, net	44,838,154	41,589,923
Amounts financed by deferred capital contributions	(32,919,823)	(27,699,448)
	<b>11,918,331</b>	<b>13,890,475</b>

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

	2005	2004
	\$	\$
Purchase of capital assets internally funded	289,368	3,044,171
Depreciation of capital assets	(5,597,444)	(5,827,014)
Amortization of deferred capital contributions	3,335,932	4,548,422
	<b>(1,972,144)</b>	<b>1,765,579</b>

## 10. Pension Plan

Certain employees of CAMH and all new employees of CAMH are eligible to be members of HOOPP [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 \$6,992,553 [2004: \$5,797,185] 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, highest consecutive 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 \$2,207,283 [2004: \$2,223,755] 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. 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, 2005, the Foundation had net assets of \$14,915,871 [2004: \$15,342,647]. During the year ended March 31, 2005, amounts received or receivable from the Foundation totalled \$1,124,527 [2004: \$1,271,089]. These amounts were used to fund capital assets and research projects. At March 31, 2005, there was \$995,228 [2004: \$1,412,863] 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

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, 2005.

# Notes to Financial Statements

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## 13. Lease Commitments

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

	\$
2006	2,313,000
2007	2,113,000
2008	1,788,000
2009	1,504,000
2010	1,231,000
Thereafter	8,976,000

## 14. Comparative Financial Statements

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2005 financial statements.



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

A Pan American Health Organization /  
World Health Organization  
Collaborating Centre

Affiliated with the University of Toronto

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3117b / 06-05