

# Financial Statements

MARCH 31, 2006

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, 2006, 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, 2006, 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.

*Ernst & Young LLP*

Chartered Accountants  
Toronto, Canada  
May 12, 2006

# Balance Sheet

AS AT MARCH 31

<b>Assets</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Cash and cash equivalents <i>[note 3]</i>	<b>80,423,605</b>	65,142,105
Cash held in trust <i>[note 4]</i>	<b>956,283</b>	562,419
Accounts receivable <i>[note 5]</i>	<b>8,492,574</b>	10,034,209
Inventories	<b>433,558</b>	424,136
Prepaid expenses	<b>737,719</b>	727,651
<b>Total current assets</b>	<b>91,043,739</b>	76,890,520
Investments <i>[notes 3 and 11]</i>	<b>3,885,037</b>	1,589,135
Capital assets, net <i>[note 6]</i>	<b>45,123,622</b>	44,838,154
	<b>140,052,398</b>	123,317,809

## Liabilities and Net Assets

<b>Current</b>		
Accounts payable and accrued liabilities	<b>49,857,791</b>	48,852,357
Patients' trust accounts <i>[note 4]</i>	<b>956,283</b>	562,419
Deferred contributions related to research funds <i>[note 8[a]]</i>	<b>20,311,108</b>	14,501,488
Other deferred contributions <i>[note 8[b]]</i>	<b>2,649,979</b>	2,083,491
<b>Total current liabilities</b>	<b>73,775,161</b>	65,999,755
Deferred capital contributions <i>[note 7]</i>	<b>37,668,691</b>	34,508,957
<b>Total liabilities</b>	<b>111,443,852</b>	100,508,712
Contingencies <i>[note 12]</i>		
<b>Net assets</b>		
Invested in capital assets <i>[note 9[a]]</i>	<b>11,339,967</b>	11,918,331
Unrestricted	<b>17,241,952</b>	10,864,139
Endowment	<b>26,627</b>	26,627
<b>Total net assets</b>	<b>28,608,546</b>	22,809,097
	<b>140,052,398</b>	123,317,809

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>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
Ministry of Health and Long-Term Care	<b>217,013,908</b>	208,722,905
Patient revenue	<b>265,702</b>	662,458
Grants and donations <i>[note 8]</i>	<b>24,103,878</b>	24,143,804
Ancillary	<b>13,157,535</b>	13,143,543
Amortization of deferred capital contributions	<b>3,122,622</b>	3,335,932
Interest	<b>2,019,861</b>	1,233,825
	<b>259,683,506</b>	251,242,467

## Expenses

Salaries, wages and employee benefits <i>[note 10]</i>	<b>193,140,450</b>	191,794,664
Supplies and other expenses	<b>45,122,470</b>	44,301,620
Depreciation	<b>5,812,892</b>	5,597,444
Rent	<b>2,276,345</b>	2,258,687
Drugs and medical supplies	<b>4,012,369</b>	3,690,146
Medical and surgical	<b>3,519,531</b>	3,397,614
	<b>253,884,057</b>	251,040,175
Excess of revenue over expenses before redevelopment grant	<b>5,799,449</b>	202,292
Redevelopment grant <i>[note 6]</i>	—	2,062,916
<b>Excess of revenue over expenses for the year</b>	<b>5,799,449</b>	2,265,208

*See accompanying notes*

# Statement of Changes in Net Assets

YEAR ENDED MARCH 31

	2006				2005
	INVESTED IN CAPITAL ASSETS	UNRESTRICTED	ENDOWMENT	TOTAL	TOTAL
	\$	\$	\$	\$	\$
<b>Net assets, beginning 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
Excess of revenue over expenses for the year	—	5,799,449	—	5,799,449	2,265,208
Net change in invested in capital assets [note 9[b]]	(578,364)	578,364	—	—	—
<b>Net assets, end of year</b>	<b>11,339,967</b>	<b>17,241,952</b>	<b>26,627</b>	<b>28,608,546</b>	22,809,097

*See accompanying note*

# Statement of Cash Flows

YEAR ENDED MARCH 31

	2006 \$	2005 \$
<b>Operating Activities</b>		
Excess of revenue over expenses for the year	5,799,449	2,265,208
Add (deduct) items not affecting cash		
Depreciation	5,812,892	5,597,444
Amortization of deferred capital contributions	(3,122,622)	(3,335,932)
	8,489,719	4,526,720
Net change in non-cash working capital balances related to operations	8,903,687	2,007,823
<b>Cash provided by operating activities</b>	<b>17,393,406</b>	<b>6,534,543</b>

## Investing and Financing Activities

Purchase of capital assets	(6,098,360)	(8,845,675)
Contributions restricted for capital purposes	6,282,356	10,145,441
Increase in investments	(2,295,902)	(1,589,134)
<b>Cash used in investing and financing activities</b>	<b>(2,111,906)</b>	<b>(289,368)</b>
<b>Net increase in cash during the year</b>	<b>15,281,500</b>	6,245,175
Cash and cash equivalents, beginning of year	65,142,105	58,896,930
<b>Cash and cash equivalents, end of year</b>	<b>80,423,605</b>	65,142,105

*See accompanying notes*

# Notes to Financial Statements

MARCH 31, 2006

## 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 [note 11]. 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.

The Hospital has entered into an agreement with the Ministry of Health and Long-Term Care ["MOHLTC"], the Hospital Accountability Agreement [the "HAA"], that sets out the rights and obligations of the two parties to the HAA in respect of funding provided to the Hospital by MOHLTC for fiscal 2006 and 2007. The HAA sets out the funding provided to the Hospital together with the performance standards and obligations of the Hospital 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 based on performance information submitted after the completion of the financial statements, the HAA outlines a progressive, remedial process to be followed. Depending on the outcome of this process, the MOHLTC has the right to increase or decrease funding received by the Hospital. 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 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.

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 the lower of cost and market value.

# Notes to Financial Statements

[CONTINUED]

## 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
Land improvements	10 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

### MULTI-EMPLOYER PLAN

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

## 3. Cash and Cash Equivalents

Cash and cash equivalents represent cash held in CAMH's bank accounts and money market instruments that have original maturities at acquisition of three months or less. As at March 31, 2006, the balance consists of cash held in CAMH's bank accounts.

An amount of cash and cash equivalents equal to unspent deferred capital contributions [note 7] has 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:

	2006	2005
	\$	\$
Ministry of Health and Long-Term Care	1,769,854	3,360,691
Patients	310,636	384,056
Other [note 11]	6,412,084	6,289,462
	<b>8,492,574</b>	<b>10,034,209</b>

# Notes to Financial Statements

[CONTINUED]

## 6. Capital Assets

Capital assets consist of the following:

	2006		
	COST \$	ACCUMULATED DEPRECIATION \$	NET BOOK VALUE \$
Land	9,485,465	—	9,485,465
Buildings	28,538,863	7,494,757	21,044,106
Equipment	43,300,005	32,902,582	10,397,423
Site redevelopment	4,196,628	—	4,196,628
	<b>85,520,961</b>	<b>40,397,339</b>	<b>45,123,622</b>

  

	2005		
	COST \$	ACCUMULATED DEPRECIATION \$	NET BOOK VALUE \$
Land	9,485,465	—	9,485,465
Building	27,322,066	6,413,717	20,908,349
Equipment	41,467,120	28,170,730	13,296,390
Site redevelopment	1,147,950	—	1,147,950
	<b>79,422,601</b>	<b>34,584,447</b>	<b>44,838,154</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, 2006, CAMH had received a total of \$9,600,000 [2005: \$4,800,000] of the Grant. In fiscal 2006, expenditures of \$3,048,678 related to phase I [2005: \$1,147,950] have been capitalized. As at March 31, 2006, deferred capital contributions related to the Project amounted to \$7,716,558 [2005: \$2,916,558], of which \$3,885,036 [2005: \$1,589,134] was unspent [note 7].

Included in the statement of operations is \$78,020 of costs related to other phases of the Project.

In 2005, an amount of \$2,062,916 related to phase I costs expensed in prior years is recorded in the statement of operations.

## 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:

	2006 \$	2005 \$
Balance, beginning of year	34,508,957	27,699,448
Less amortization of deferred capital contributions	(3,122,622)	(3,335,932)
Add contributions restricted for capital purposes [note 6]	6,282,356	10,145,441
Balance, end of year	<b>37,668,691</b>	<b>34,508,957</b>

Included in the above balance are contributions of \$3,885,036 [2005: \$1,589,134] received but not yet used to purchase capital assets [note 3].

# Notes to Financial Statements

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## 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:

	2006 \$	2005 \$
Balance, beginning of year	14,501,488	19,683,777
Amount received during the year	29,913,498	18,961,515
Amount recognized as revenue during the year	<b>(24,103,878)</b>	<b>(24,143,804)</b>
<b>Balance, end of year</b>	<b>20,311,108</b>	<b>14,501,488</b>

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

	2006 \$	2005 \$
Salaries and employee benefits	12,443,190	12,498,226
Supplies and other	8,628,066	8,664,347
Medical and surgical	3,032,622	2,981,231
<b>Amount recognized as revenue during the year</b>	<b>24,103,878</b>	<b>24,143,804</b>

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

	2006 \$	2005 \$
Balance, beginning of year	2,083,491	2,227,852
Amount received during the year	3,985,000	1,283,521
Amount recognized as revenue during the year	<b>(3,418,512)</b>	<b>(1,427,882)</b>
<b>Balance, end of year</b>	<b>2,649,979</b>	<b>2,083,491</b>

## 9. Invested in Capital Assets

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

	2006 \$	2005 \$
Capital assets, net	45,123,622	44,838,154
Amounts financed by deferred capital contributions <i>[note 7]</i>	<b>(33,783,655)</b>	<b>(32,919,823)</b>
	<b>11,339,967</b>	<b>11,918,331</b>

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

	2006 \$	2005 \$
Purchase of capital assets internally funded	2,111,906	289,368
Depreciation of capital assets	<b>(5,812,892)</b>	<b>(5,597,444)</b>
Amortization of deferred capital contributions	3,122,622	3,335,932
	<b>(578,364)</b>	<b>(1,972,144)</b>

# Notes to Financial Statements

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## 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 \$7,170,757 [2005: \$6,992,553] 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 \$2,410,976 [2005: \$2,207,283] 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 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, 2006, the Foundation had net assets of \$17,027,151 [2005: \$14,915,871]. Grants from the Foundation recognized during the year totalled \$2,877,465 [2005: \$1,717,256]. These amounts were used to fund capital assets and research projects. At March 31, 2006, there was \$993,755 [2005: \$995,228] 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 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, 2006.

[b] CAMH is subject to various claims and potential claims. Where the potential liability is determinable, management believes that the ultimate disposition of the matters will not materially exceed the amounts recorded in the accounts. 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:

	\$
2007	2,464,064
2008	2,082,005
2009	1,817,682
2010	1,576,269
2011	1,454,330
Thereafter	7,921,242
	<hr/> 17,315,592 <hr/>

## 14. Comparative Financial Statements

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2006 financial statements.



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