

Financial Statements

Centre for Addiction and Mental Health

March 31, 2009

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, 2009 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, 2009 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.

Toronto, Canada,
May 15, 2009.

Ernst + Young LLP

Chartered Accountants
Licensed Public Accountants

Centre for Addiction and Mental Health

BALANCE SHEET

As at March 31

	2009 \$	2008 \$
		<i>[restated – note 16]</i>
ASSETS		
Current		
Cash <i>[note 3]</i>	41,775,828	49,523,300
Cash held in trust <i>[note 4]</i>	87,030	630,598
Accounts receivable <i>[notes 5 and 11]</i>	9,888,223	6,504,725
Inventories	871,685	882,058
Prepaid expenses	1,493,702	1,043,750
Total current assets	54,116,468	58,584,431
Cash held for restricted purposes <i>[note 3]</i>	62,056,942	47,582,568
Capital assets, net <i>[note 6]</i>	92,696,624	85,282,278
	208,870,034	191,449,277
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities <i>[note 12[b]]</i>	54,029,438	57,953,833
Patients' trust accounts <i>[note 4]</i>	87,030	630,598
Total current liabilities	54,116,468	58,584,431
Deferred contributions related to research funds <i>[note 8[a]]</i>	18,267,048	19,407,057
Other deferred contributions <i>[note 8[b]]</i>	1,655,802	3,650,461
Deferred capital contributions <i>[note 7]</i>	86,764,277	63,173,082
Total liabilities	160,803,595	144,815,031
Commitments and contingencies <i>[notes 12 and 13]</i>		
Net assets		
Invested in capital assets <i>[note 9]</i>	27,630,477	26,889,924
Internally restricted <i>[note 14]</i>	20,409,335	19,717,695
Unrestricted	—	—
Endowment	26,627	26,627
Total net assets	48,066,439	46,634,246
	208,870,034	191,449,277

See accompanying notes

Approved by the Board:



Gordon Bell, Trustee



Paul Beeston, Trustee

Centre for Addiction and Mental Health

STATEMENT OF OPERATIONS

Year ended March 31

	2009 \$	2008 \$
		<i>[restated – note 16]</i>
REVENUE		
Ministry of Health and Long-Term Care/Toronto Central		
Local Health Integration Network	249,544,328	232,498,616
Patient revenue	892,769	719,843
Grants and donations	25,373,202	27,105,015
Ancillary and other	16,612,606	17,637,762
Amortization of deferred capital contributions	3,925,232	3,049,874
Interest	1,744,319	3,382,410
	298,092,456	284,393,520
EXPENSES		
Salaries, wages and employee benefits <i>[notes 8[a] and 10]</i>	221,239,955	213,038,792
Supplies and other expenses <i>[notes 6 and 8[a]]</i>	60,808,468	55,408,784
Depreciation	6,049,334	4,843,138
Rent	4,052,494	2,359,788
Drugs and medical supplies	3,721,777	4,005,572
Medical and surgical <i>[note 8[a]]</i>	788,235	2,326,219
	296,660,263	281,982,293
Excess of revenue over expenses for the year	1,432,193	2,411,227

See accompanying notes

Centre for Addiction and Mental Health

STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31

	2009				2008	
	Invested in capital assets \$	Internally restricted \$	Unrestricted \$	Endowment \$	Total \$	Total \$
						<i>[restated - note 16]</i>
Net assets, beginning of year	18,989,924	16,295,159	—	26,627	35,311,710	33,802,989
Adjustment <i>[note 16]</i>	7,900,000	3,422,536	—	—	11,322,536	10,420,030
Net assets, beginning of year, as restated	26,889,924	19,717,695	—	26,627	46,634,246	44,223,019
Excess of revenue over expenses for the year	—	—	1,432,193	—	1,432,193	2,411,227
Interfund transfer <i>[note 14]</i>	—	1,432,193	(1,432,193)	—	—	—
Net change in invested in capital assets <i>[note 9[b]]</i>	740,553	(740,553)	—	—	—	—
Net assets, end of year	27,630,477	20,409,335	—	26,627	48,066,439	46,634,246

See accompanying notes

Centre for Addiction and Mental Health

STATEMENT OF CASH FLOWS

Year ended March 31

	2009 \$	2008 \$
		<i>[restated – note 16]</i>
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	1,432,193	2,411,227
Add (deduct) items not affecting cash		
Depreciation	6,049,334	4,843,138
Amortization of deferred capital contributions	(3,925,232)	(3,049,874)
	3,556,295	4,204,491
Net change in non-cash working capital balances related to operations	(3,231,875)	62,882
Net change in deferred contributions related to research funds	(1,140,009)	2,746,243
Net change in other deferred contributions	(1,994,659)	(247,298)
Cash provided by (used in) operating activities	(2,810,248)	6,766,318
INVESTING AND FINANCING ACTIVITIES		
Purchase of capital assets	(13,463,680)	(36,511,704)
Net change in accounts payable related to purchase of capital assets	(4,515,597)	4,951,276
Contributions restricted for capital purposes	27,516,427	20,375,982
Decrease (increase) in cash held for restricted purposes	(14,474,374)	9,432,286
Cash used in investing and financing activities	(4,937,224)	(1,752,160)
Net increase (decrease) in cash during the year	(7,747,472)	5,014,158
Cash, beginning of year	49,523,300	44,509,142
Cash, end of year	41,775,828	49,523,300

See accompanying notes

Centre for Addiction and Mental Health

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

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

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 "MOH-LTC"] and the Toronto Central Local Health Integration Network [the "TC-LHIN"] is a significant estimate. CAMH entered into a Hospital Service Accountability Agreement [the "H-SAA"] between CAMH and the TC-LHIN that sets out the rights and obligations of the parties in respect of funding provided to CAMH by the TC-LHIN and the MOH-LTC covering fiscal 2009 and 2010.

The H-SAA 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 and/or the MOH-LTC have the right to adjust funding received by CAMH. The TC-LHIN and the MOH-LTC are not required to communicate certain funding adjustments until after the submission of year-end data. Since this 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 MOH-LTC may be increased or decreased subsequent to year

Centre for Addiction and Mental Health

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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 and patient care 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.

Financial instruments

CAMH has chosen to apply the Canadian Institute of Chartered Accountants ["CICA"] 3861: *Financial Instruments - Disclosure and Presentation* in place of CICA 3862: *Financial Instruments - Disclosures* and CICA 3863: *Financial Instruments - Presentation*.

Centre for Addiction and Mental Health

NOTES TO FINANCIAL STATEMENTS

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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 and furniture	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 multi-employer defined benefit pension plans are expensed when due.

Change in accounting policies

Effective April 1, 2008, CAMH adopted the recommendations of CICA 1535: *Capital Disclosures*, which require the disclosure of qualitative and quantitative information that enables users of the financial statements to evaluate CAMH's objectives, policies and processes for managing capital. The adoption of these recommendations only required additional disclosures, which are provided in note 15.

Effective April 1, 2008, CAMH adopted the recommendations of CICA 3031: *Inventories*. These recommendations provide guidance on the measurement and disclosure requirements for inventories. The adoption of these new recommendations had no impact on CAMH's financial statements.

Future changes in accounting policies

The CICA has issued revisions to the 4400 series and certain other sections to amend or improve certain parts of the CICA Handbook that relate to not-for-profit organizations. With respect to presentation, these changes include making the disclosure of net assets invested in capital assets optional; making CICA 1540: Cash Flow Statements applicable to not-for-profit organizations; and requiring the reporting of revenue and expenses on a gross basis in the statement of operations unless not required by other guidance. These changes in accounting policies must be adopted by fiscal years beginning on or after January 1, 2009, with earlier adoption permitted. Management is

Centre for Addiction and Mental Health

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assessing the impact of these revisions and the timing of their adoption. However, the impact will be limited to reclassification of numbers in the financial statements and additional disclosures.

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 has been recorded as cash held for restricted purposes.

4. CASH HELD IN TRUST

CAMH manages the monies of its patients or former patients, received from the Ministry of the Attorney General, 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:

	2009 \$	2008 \$
MOH-LTC/TC-LHIN [note 6]	4,349,077	1,790,591
Patients	216,871	256,989
Research related	2,291,872	2,128,535
Centre for Addiction and Mental Health Foundation [note 11]	175,514	269,965
Other	2,854,889	2,058,645
	9,888,223	6,504,725

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6. CAPITAL ASSETS

Capital assets consist of the following:

	2009		
	Cost	Accumulated depreciation	Net book value
	\$	\$	\$
Land	9,485,465	—	9,485,465
Buildings	37,073,603	11,642,469	25,431,134
Equipment and furniture	53,872,210	43,903,999	9,968,211
Site redevelopment			
Buildings	34,098,103	1,164,783	32,933,320
Equipment and furniture	1,883,777	188,378	1,695,399
Construction in progress	13,183,095	—	13,183,095
	149,596,253	56,899,629	92,696,624
	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 and furniture	50,666,382	40,408,651	10,257,731
Site redevelopment			
Construction in progress	40,444,654	—	40,444,654
	136,132,573	50,850,295	85,282,278

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, centered on the concept of an urban village [the "Project"]. CAMH intends to consolidate a substantial part of its 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 MOH-LTC to proceed with construction of Phase 1A of the Project with an approved budget of approximately \$35.2 million. As at March 31, 2009, the total costs included in site redevelopment related to Phase 1A was \$34.5 million. Phase 1A was substantially completed on March 14, 2008 on budget and was occupied on April 7,

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2008. Phase 1B of the Project is in the planning, design and procurement stage. On January 12, 2009, CAMH received approval from the Ontario government to release the Request for Proposal ["RFP"], including the Project Agreement and related RFP material for the construction of Phase 1B as a Design, Build, Finance and Maintain Alternative Financing and Procurement Project. Approval from the Ontario government is still outstanding to proceed with Phase 1B of the Project. Once approval is received, a contract can be signed for the construction of Phase 1B. CAMH has received grants from the MOH-LTC related to Phase 1B of \$29.0 million to cover planning and other costs related to this phase, of which \$10.1 million has been spent to date.

Early Works Project [offsite lease and improvements] and Enabling Works Project [siteworks and decanting] in preparation for Phase 1B are all underway. On December 5, 2008, MOH-LTC has approved a capital grant of \$14.3 million towards the entire Enabling Works Project with a total budget of \$17.2 million. As at March 31, 2009, CAMH had received \$5.7 million of the grant and spent \$3.0 million. The MOH-LTC's share of eligible costs for the Early Works Project with a budget of \$9.8 million will be considered for cost sharing as part of the Phase 1B Project. Since CAMH has agreed it will assume initial responsibility for funding these costs until cost sharing for Phase 1B of the Project is finalized, an amount of \$3.2 million has been set up as receivable from the MOH-LTC in connection with costs related to the Early Works Project.

On August 20, 2008, Canada Foundation for Innovation ["CFI"] formally announced that CAMH was successful in the Large Scale Infrastructure Endeavour competition of the Research Hospital Fund. The grant application was for a \$38.6 million project that would provide state-of-the-art infrastructure and equipment to support research at CAMH of which 40% will be funded by CFI. In fiscal 2009, expenditures of \$337,318 were capitalized.

NOTES TO FINANCIAL STATEMENTS

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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:

	2009 \$	2008 \$
		<i>[restated - note 16]</i>
Balance, beginning of year	63,173,082	45,846,974
Less amortization of deferred capital contributions	(3,925,232)	(3,049,874)
Add contributions restricted for capital purposes <i>[note 6]</i>	27,516,427	20,375,982
Balance, end of year	86,764,277	63,173,082

Included in the above balance are contributions of \$21,698,130 [2008 - \$4,780,728] 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:

	2009 \$	2008 \$
		<i>[restated - note 16]</i>
Balance, beginning of year	19,407,057	16,660,814
Amount received during the year	22,648,605	28,927,273
Amount recognized as revenue during the year	(23,788,614)	(26,181,030)
Balance, end of year	18,267,048	19,407,057

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NOTES TO FINANCIAL STATEMENTS

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

	2009 \$	2008 \$
Salaries and employee benefits	13,439,859	12,809,082
Supplies and other	10,037,989	11,499,260
Medical and surgical	310,766	1,872,688
Amount recognized as revenue during the year	23,788,614	26,181,030

[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:

	2009 \$	2008 \$
Balance, beginning of year	3,650,461	3,897,759
Amount received during the year	1,319,831	2,613,123
Amount recognized as revenue during the year	(3,314,490)	(2,860,421)
Balance, end of year	1,655,802	3,650,461

9. INVESTED IN CAPITAL ASSETS

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

	2009 \$	2008 \$
Capital assets, net	92,696,624	85,282,278
Amounts financed by deferred capital contributions <i>[note 7]</i>	(65,066,147)	(58,392,354)
	27,630,477	26,889,924

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March 31, 2009

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

	2009 \$	2008 \$
Purchase of capital assets internally funded	2,864,655	8,528,181
Depreciation of capital assets	(6,049,334)	(4,843,138)
Amortization of deferred capital contributions	3,925,232	3,049,874
	740,553	6,734,917

10. PENSION PLANS

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 ["HOOPP"], 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 HOOPP during the year amounted to \$9,115,574 [2008 - \$8,257,649] and are included in salaries, wages and employee benefits expense in the statement of operations. The most recent valuation for accounting purposes completed by HOOPP as of December 31, 2008 disclosed a smoothed asset value of \$30,261 million with accrued pension liabilities of \$31,244 million, resulting in a deficit of \$983 million.

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, 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 \$2,250,864 [2008 - \$2,294,193] and are included in salaries, wages and employee benefits expense in the statement of operations.

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, research and other operating activities. The accounts of the Foundation are not included in these financial statements. As at March 31, 2009, the Foundation had net assets of \$33,719,883 [2008 - \$29,514,245]. Grants from the Foundation recognized during the year totalled \$2,353,429 [2008 - \$2,527,030]. These amounts were used to fund research projects and other operating activities. At March 31, 2009, there was \$175,514 [2008 - \$269,965] receivable from the Foundation included in accounts receivable related to the above-noted contributions and amounts paid by CAMH on behalf of the Foundation.

Centre for Addiction and Mental Health

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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, 2009.
- [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:

	\$
2010	4,068,690
2011	3,955,558
2012	3,540,185
2013	2,617,671
2014	1,564,631
Thereafter	4,653,547
	<u>20,400,282</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 Trustees for site redevelopment and information technology.

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15. CAPITAL MANAGEMENT

In managing capital, CAMH focuses on liquid resources available for operations. CAMH's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. In addition, CAMH is required to achieve certain performance measures related to working capital set out in the H-SAA. The need for sufficient liquid resources and achieving the performance measures is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at March 31, 2009, CAMH met its objective of having sufficient liquid resources to meet its current obligations and the performance measures related to working capital set out in the H-SAA.

16. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2009 financial statements.

During the year, based on a comprehensive review, CAMH determined that certain amounts received as deferred contributions were unrestricted funds and should therefore not have been recorded as a liability. As a result, as at April 1, 2007, internally restricted net assets increased and deferred contributions related to research funds decreased by \$2,520,030. For the year ended March 31, 2008, ancillary and other revenue and excess of revenue over expenses both increased by \$902,506.

In addition, CAMH determined that deferred capital contributions were recorded for land contributed in fiscal 2001. Net assets invested in capital assets should have been increased by the fair value of contributed land. As a result, as at April 1, 2007, deferred capital contributions have been decreased by and net assets invested in capital assets have been increased by \$7,900,000.