

Centre for Addiction and Mental Health

FINANCIAL STATEMENTS

March 31, 2003



**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, 2003, 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, 2003, and the results of its operations, the changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The logo for Ernst & Young LLP is written in a black, cursive script font.

CHARTERED ACCOUNTANTS
TORONTO, CANADA
MAY 21, 2003

Balance Sheet

AS AT MARCH 31

ASSETS	2003 \$	2002 \$
CURRENT		
Cash and short-term investments [note 3]	47,199,579	37,531,658
Cash held in trust [note 4]	577,818	570,472
Accounts receivable [notes 5 and 12]	12,072,550	8,221,048
Inventories	399,172	434,016
Prepaid expenses	458,000	441,136
Total current assets	60,707,119	47,198,330
Investment [note 12]	1	1
Capital assets, net [note 6]	42,512,273	38,963,010
	103,219,393	86,161,341
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	40,719,078	32,809,255
Patients' trust accounts [note 4]	577,818	570,472
Deferred revenue	2,470,026	1,084,426
Deferred contributions related to research funds [note 8]	17,224,833	15,169,836
Total current liabilities	60,991,755	49,633,989
Deferred capital contributions [note 7]	30,387,377	31,142,354
Total liabilities	91,379,132	80,776,343
Contingencies [note 13]		
NET ASSETS		
Invested in capital assets [note 9[a]]	12,124,896	7,820,656
Unrestricted	(311,262)	(2,462,285)
Endowment	26,627	26,627
Total net assets	11,840,261	5,384,998
	103,219,393	86,161,341

See accompanying notes


Approved by the Board:

CHAIR
BOARD OF TRUSTEES

CHAIR
AUDIT AND FINANCE COMMITTEE

Statement of Operations

YEAR ENDED MARCH 31

REVENUE	2003 \$	2002 \$
Ministry of Health and Long-Term Care	194,750,973	172,910,961
Out-of-province clients	79,303	215,405
Differential charges for preferred accommodation	415,571	193,521
Grants, contributions and donations [note 8]	18,125,615	17,472,054
Ancillary	13,144,759	9,638,924
Amortization of deferred capital contributions	3,868,119	3,024,510
Interest	915,363	1,515,903
	231,299,703	204,971,278

EXPENSES

Salaries, wages and employee benefits [note 10]	170,268,540	154,949,328
Supplies and other expenses	41,713,374	38,117,086
Depreciation	5,188,886	4,132,640
Rent	2,261,764	2,060,644
Drugs and medical supplies	3,101,679	2,717,094
Medical and surgical	411,900	436,423
Restructuring costs [note 11]	1,898,297	2,056,540
	224,844,440	204,469,755
Excess of revenue over expenses for the year	6,455,263	501,523

See accompanying notes

Statement of Cash Flows

YEAR ENDED MARCH 31

	2003	2002
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	6,455,263	501,523
Add (deduct) items not affecting cash		
Depreciation	5,188,886	4,132,640
Amortization of deferred capital contributions	(3,868,119)	(3,024,510)
	7,776,030	1,609,653
Net change in non-cash working capital balances related to operations	7,516,898	(4,875,088)
Cash provided by (used in) operating activities	15,292,928	(3,265,435)

INVESTING AND FINANCING ACTIVITIES

Endowment contribution	—	775
Purchase of capital assets	(8,738,149)	(11,798,300)
Contributions restricted for capital purposes	3,113,142	5,453,813
Cash used in investing and financing activities	(5,625,007)	(6,343,712)
Net increase (decrease) in cash during the year	9,667,921	(9,609,147)
Cash and short-term investments, beginning of year	37,531,658	47,140,805
Cash and short-term investments, end of year	47,199,579	37,531,658

See accompanying notes

Statement of Changes in Net Assets

YEAR ENDED MARCH 31

	2003				2002
	INVESTED IN CAPITAL ASSETS	UNRESTRICTED	ENDOWMENT	TOTAL	TOTAL
	\$	\$	\$	\$	\$
Net assets, beginning of year	7,820,656	(2,462,285)	26,627	5,384,998	4,882,700
Excess of revenue over expenses for the year	—	6,455,263	—	6,455,263	501,523
Endowment contribution	—	—	—	—	775
Net change in invested in capital assets [note 9[b]]	4,304,240	(4,304,240)	—	—	—
Net assets, end of year	12,124,896	(311,262)	26,627	11,840,261	5,384,998

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 at the date of the financial statements.

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	40 years
Equipment	5–15 years
Land improvements	10 years

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

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.

Notes to Financial Statements [continued]

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:

	2003	2002
	\$	\$
Ministry of Health and Long-Term Care	6,285,567	3,378,852
Patients	290,214	280,776
Other	5,496,769	4,561,420
	12,072,550	8,221,048

6. CAPITAL ASSETS

Capital assets consist of the following:

	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	65,854
	65,672,264	23,159,991	42,512,273

Notes to Financial Statements [continued]

	2002		NET BOOK VALUE \$
	COST \$	ACCUMULATED DEPRECIATION \$	
Land	9,485,465	—	9,485,465
Building	20,849,719	3,573,407	17,276,312
Equipment	26,337,784	14,222,068	12,115,716
Land improvements	261,682	176,165	85,517
	56,934,650	17,971,640	38,963,010

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:

	2003 \$	2002 \$
Balance, beginning of year	31,142,354	28,713,051
Less amortization of deferred capital contributions	(3,868,119)	(3,024,510)
Add contributions restricted for capital purposes	3,113,142	5,453,813
Balance, end of year	30,387,377	31,142,354

As at March 31, 2003, all capital contributions received have been spent.

8. DEFERRED CONTRIBUTIONS RELATED TO RESEARCH FUNDS

Deferred contributions 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:

	2003 \$	2002 \$
Balance, beginning of year	15,169,836	11,443,420
Amount received related to future periods	20,180,612	21,198,470
Amount recognized as revenue during the year	(18,125,615)	(17,472,054)
Balance, end of year	17,224,833	15,169,836

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

	2003 \$	2002 \$
Salaries	11,044,259	8,773,421
Employee benefits	2,260,428	1,585,398
Supplies and other	4,067,908	6,380,244
Education and conference	753,020	732,991
Amount recognized as revenue during the year	18,125,615	17,472,054

9. INVESTED IN CAPITAL ASSETS

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

	2003 \$	2002 \$
Capital assets, net	42,512,273	38,963,010
Amounts financed by deferred capital contributions	(30,387,377)	(31,142,354)
	12,124,896	7,820,656

Notes to Financial Statements [continued]

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

	2003	2002
	\$	\$
Purchase of capital assets internally funded	5,625,007	437,808
Depreciation of capital assets	(5,188,886)	(4,132,640)
Amortization of deferred capital contributions	3,868,119	3,024,510
	4,304,240	(670,322)

10. PENSION PLAN

Certain employees of CAMH and all new employees of CAMH are eligible to be members of HOOPP, which is a multi-employer, defined benefit, final average earnings, contributory pension plan. HOOPP is accounted for as a defined contribution plan. CAMH's contributions to HOOPP during the year amounted to \$3,370,756 [2002: \$1,826,702] and are included in employee benefits expense in the statement of operations. The most recent actuarial valuation of HOOPP as at December 31, 2002, indicates HOOPP 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 \$2,306,952 [2002: \$2,443,645] 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, 1998, indicates the plan is fully funded.

11. RESTRUCTURING COSTS

In conjunction with the amalgamation, CAMH undertook a reorganization of its staff. Reorganization costs for salaries allocated to CAMH were \$1,884,137 [2002: \$2,056,540]. As at March 31, 2003, \$471,240 [2002: \$449,634] has been accrued and included in accounts payable and accrued liabilities.

	2003	2002
	\$	\$
Restructuring costs	1,898,297	2,056,540
Add (deduct)		
Ministry of Health reimbursements related to 2000/2001	(697,724)	(558,643)
Ministry of Health reimbursements related to 2001/2002	(131,275)	(1,253,525)
Ministry of Health reimbursements related to 2002/2003	(982,000)	—
	87,298	244,372

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, 2003, the Foundation had net assets of \$1,324,456 [2002: \$1,418,287]. During the year ended March 31, 2003, amounts received or receivable from the Foundation totalled \$958,321 [2002: \$758,419]. These amounts were used to fund capital assets and research projects. At March 31, 2003, there was \$711,817 [2002: \$381,263] 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 balance of the compensation comprises \$250,000 cash and a promissory note for \$500,000 due on the later of August 4, 2001, and the completion date of the first year of research. The investment is recorded at a nominal value of \$1. The promissory note is included in accounts receivable and bears interest after one year at 10% per annum. The accounts of the affiliated entity are not included in these financial statements. CAMH has received notification that the company is inactive pending the outcome of certain patent applications. Accordingly, no interest has been received or accrued due to the collection uncertainty.

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, 2003.

14. LEASE COMMITMENTS

For the four years ended March 31, 2002, lease costs for the two downtown properties [33 Russell Street and 250 College Street] were funded by the MOHLTC. However, for the fiscal year ended March 31, 2003, funds to meet lease costs for 33 Russell Street and 250 College Street were included within the base funding. CAMH also operates community offices throughout the province of Ontario.

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

	\$
2004	1,980,711
2005	1,734,486
2006	1,667,284
2007	1,468,444
2008	1,234,515
Thereafter	9,470,624
	17,556,064



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