

1 AUDITORS' REPORT

To the Directors of **Centre for Addiction and Mental Health Foundation**

We have audited the balance sheet of **Centre for Addiction and Mental Health Foundation** as at March 31, 2001 and the statements of revenue, expenses and fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Foundation'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 the Foundation as at March 31, 2001 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 31, 2001



BALANCE SHEET

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As at March 31

	2001	2000
	\$	\$
ASSETS		
Cash [note 3]	3,366,322	701,188
Investments, at cost [note 3]	9,637,526	6,919,305
Accounts receivable	219,968	37,616
Deferred expenses	44,210	54,290
	13,268,026	7,712,399
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable and accrued liabilities	8,000	11,595
Due to the Centre for Addiction and Mental Health	1,311,599	295,236
Deferred revenue	481,615	331,050
Total liabilities	1,801,214	637,881
Fund balances		
General		
Unrestricted	899,141	505,680
Internally restricted [note 4]	1,095,922	948,551
	1,995,063	1,454,231
Restricted [note 5]	8,471,749	5,620,287
Endowed	1,000,000	—
Total fund balances	11,466,812	7,074,518
	13,268,026	7,712,399

See accompanying notes

On behalf of the Board:



Director



Director

STATEMENT OF REVENUE, EXPENSES AND FUND BALANCES

Year ended March 31

	2001 General Fund \$	2001 Restricted Fund \$	2001 Total \$	2000 Total \$
REVENUE				
Donations	482,339	4,723,665	5,206,004	4,041,818
Bequests	572,504	—	572,504	44,177
Special events and other	685,756	—	685,756	353,076
	1,740,599	4,723,665	6,464,264	4,439,071
Investment income	367,247	142,954	510,201	367,576
	2,107,846	4,866,619	6,974,465	4,806,647
EXPENSES				
Fundraising	1,018,324	134,476	1,152,800	857,625
Special events and programs	258,512	—	258,512	185,157
	1,276,836	134,476	1,411,312	1,042,782
Excess of revenue over expenses before grant disbursements	831,010	4,732,143	5,563,153	3,763,865
Grant disbursements	290,178	880,681	1,170,859	2,065,232
Excess of revenue over expenses for the year	540,832	3,851,462	4,392,294	1,698,633
Fund balances, beginning of year	1,454,231	5,620,287	7,074,518	5,375,885
Fund balances, end of year	1,995,063	9,471,749	11,466,812	7,074,518

See accompanying notes

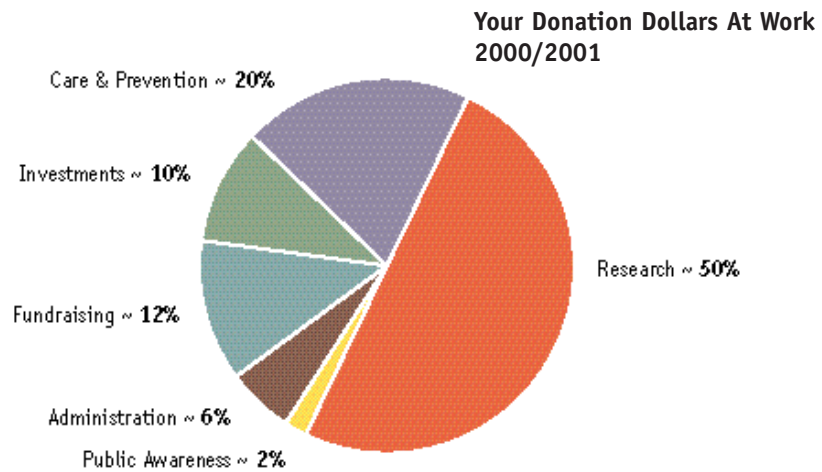
STATEMENT OF CASH FLOWS

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Year ended March 31

	2001 \$	2000 \$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	4,392,294	1,698,633
Net change in non-cash working capital balances related to operations	991,061	521,981
Cash provided by operating activities	5,383,355	2,220,614
FINANCING ACTIVITIES		
Increase in investments	(2,718,221)	(2,228,015)
Cash used in financing activities	(2,718,221)	(2,228,015)
Net increase (decrease) in cash during the year	2,665,134	(7,401)
Cash, beginning of year	701,188	708,589
Cash, end of year	3,366,322	701,188

See accompanying notes



1. PURPOSE OF THE ORGANIZATION

The Centre for Addiction and Mental Health Foundation [the “Foundation”] was incorporated in 1986 to raise funds to support the patient care, rehabilitation, research and education activities of the Centre for Addiction and Mental Health [the “Centre”].

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Foundation have been prepared in accordance with Canadian generally accepted accounting principles. The following significant accounting policies are set forth to facilitate the understanding of these financial statements:

[a] Fund accounting

Unrestricted Fund

The Unrestricted Fund accounts for the Foundation’s general fundraising, granting and administrative activities.

Internally Restricted Fund

Certain Unrestricted Funds have been designated by the Board of the Foundation for allocation to various specific programs.

Restricted Fund

The Restricted Fund reports, as revenue, resources that are to be used for specific purposes as specified by the donor and, as expenses, the use of these resources for the specified purposes. The Foundation has a policy for capital campaigns of limiting the amount of direct fundraising costs that can be applied against the proceeds to the lesser of actual costs or 5% of the funds raised.

Endowed Fund

An endowed fund has been established to support in perpetuity the RBC Investments Chair in Children’s Mental Health and Development Psychopathology at the Centre.

[b] Investments and investment income

Investments are recorded at the lower of cost and market value. When the market value is below cost and this difference is temporary in nature, investments are recorded at cost.

Investment income earned on restricted funds that must be spent on donor designated activities is recognized as revenue in the Restricted Fund. Unrestricted investment income is recognized as revenue in the General Fund.



[c] Revenue recognition

Donations revenue is recorded as cash is received.

[d] Contributed goods and services

Volunteers contribute many hours of their time and provide goods at discounted prices or at no cost to the Foundation. Because of the difficulty of determining fair value, contributed goods and services are not recognized in the financial statements.

3. CASH AND INVESTMENTS

Cash, which totaled \$ 3,366,322 (2000 - \$ 701,188) is held in a Canadian chartered bank earning interest at the bank's prime rate less 1.75%.

The objective of the investment management of the Foundation is to protect and enhance the fund capital and to generate a reliable source of income in keeping with the cash requirements of the Foundation and the Centre. The investments are comprised as follows:

	2001		2000	
	Cost \$	Market \$	Cost \$	Market \$
Funds with Investment Manager				
Fixed income	3,703,036	3,586,512	3,506,204	3,339,238
Global balanced	1,465,464	1,307,290	1,421,829	1,390,607
Debentures	259,410	277,556	—	—
Bankers' acceptance	4,209,616	4,219,616	1,991,272	1,999,120
	9,637,526	9,390,974	6,919,305	6,728,965

7 NOTES TO THE FINANCIAL STATEMENTS

4. INTERNALLY RESTRICTED FUND BALANCE

Major categories of the Internally Restricted Fund balance, identifying the purpose for which they will be used, are as follows:

	2001	2000
	\$	\$
Centred on Hope Campaign	350,000	—
Various Specific Programs	745,922	948,551
	1,095,922	948,551

5. RESTRICTED FUND BALANCE

Major categories of the Restricted Fund balance, identifying the purpose for which they will be used, are as follows:

	2001	2000
	\$	\$
Centred on Hope Campaign	5,470,211	3,215,422
Cultural studies	905,165	939,759
Scholarships and Fellowships	881,099	380,514
Research and Centre facilities	1,215,274	1,084,592
	8,471,749	5,620,287

6. INCOME TAX STATUS

The Foundation is a charitable foundation registered under the Income Tax Act (Canada) [the "Act"] and, as such, is exempt from income taxes and able to issue receipts for income tax purposes that are eligible for a non-refundable tax credit by an individual donor and a tax deduction by a corporate donor. In order to maintain its status as a public foundation registered under the Act, the Foundation must meet certain requirements within the Act. In the opinion of management, these requirements have been met.