

Financial Statements

**Centre for Addiction and Mental Health
Foundation**

March 31, 2009

AUDITORS' REPORT

To the Members of the
Centre for Addiction and Mental Health Foundation

We have audited the balance sheet of the **Centre for Addiction and Mental Health Foundation** as at March 31, 2009 and the statement of revenue, expenses and changes in fund balances 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, 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 14, 2009.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Centre for Addiction and Mental Health Foundation

BALANCE SHEET

As at March 31

	2009	2008
	\$	\$
ASSETS		
Cash <i>[note 3]</i>	2,933,410	5,550,918
Investments <i>[note 3]</i>	31,323,709	24,591,682
Accounts receivable	106,976	148,980
Prepaid expenses	138,973	109,565
	34,503,068	30,401,145
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable and accrued liabilities	166,696	110,373
Due to the Centre for Addiction and Mental Health <i>[note 6]</i>	175,514	269,965
Deferred revenue	440,975	506,562
Total liabilities	783,185	886,900
Fund balances		
Unrestricted	5,476,160	4,958,566
Restricted <i>[note 4]</i>	21,394,488	16,339,429
Endowed <i>[note 5]</i>	6,849,235	8,216,250
Total fund balances	33,719,883	29,514,245
	34,503,068	30,401,145

See accompanying notes

On behalf of the Board:



Director



Director

Centre for Addiction and Mental Health Foundation

**STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND BALANCES**

Year ended March 31

	<u>Unrestricted Fund</u>		<u>Restricted Fund</u>		<u>Endowed Fund</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE								
Donations	628,761	628,471	9,463,771	7,001,567	40,375	69,864	10,132,907	7,699,902
Bequests	33,683	201,229	—	10,558	—	—	33,683	211,787
Special events	751,161	1,126,521	80,489	79,621	8,030	—	839,680	1,206,142
	1,413,605	1,956,221	9,544,260	7,091,746	48,405	69,864	11,006,270	9,117,831
Investment income (loss), net <i>[note 5]</i>	821,487	820,308	30,308	45,116	(1,344,920)	(160,729)	(493,125)	704,695
Other	4,728	4,881	—	—	—	—	4,728	4,881
	2,239,820	2,781,410	9,574,568	7,136,862	(1,296,515)	(90,865)	10,517,873	9,827,407
EXPENSES								
Fundraising and administration	1,458,162	739,312	2,227,433	1,721,647	—	—	3,685,595	2,460,959
Special events	253,680	381,729	19,531	—	—	—	273,211	381,729
	1,711,842	1,121,041	2,246,964	1,721,647	—	—	3,958,806	2,842,688
Excess (deficiency) of revenue over expenses before grants	527,978	1,660,369	7,327,604	5,415,215	(1,296,515)	(90,865)	6,559,067	6,984,719
Grants to the Centre for Addiction and Mental Health	10,384	—	2,343,045	2,527,030	—	—	2,353,429	2,527,030
Excess (deficiency) of revenue over expenses for the year	517,594	1,660,369	4,984,559	2,888,185	(1,296,515)	(90,865)	4,205,638	4,457,689
Fund balances, beginning of year	4,958,566	4,089,197	16,339,429	15,973,289	8,216,250	4,994,070	29,514,245	25,056,556
Interfund transfers <i>[note 5]</i>	—	(791,000)	70,500	(2,522,045)	(70,500)	3,313,045	—	—
Fund balances, end of year	5,476,160	4,958,566	21,394,488	16,339,429	6,849,235	8,216,250	33,719,883	29,514,245

See accompanying notes

Centre for Addiction and Mental Health Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

1. PURPOSE OF THE ORGANIZATION

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

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, those requirements have been met.

The Foundation is currently conducting a multi-million dollar multi-year redevelopment campaign to raise funds for the capital and related program priorities of CAMH.

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:

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions. The Foundation ensures, as part of its fiduciary responsibility, that all funds received with a restricted purpose are expended in accordance with the purpose intended.

For the purpose of financial reporting, the accounts have been classified into one of three funds.

Unrestricted Fund

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

Restricted Fund

The Restricted Fund includes those funds that are to be used for purposes as specified by the donor or as stipulated in the fundraising appeal. The Board of Directors may also internally restrict funds, a restriction that may be reversed by the Board of Directors.

Centre for Addiction and Mental Health Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

Endowed Fund

The Endowed Fund includes those funds for which either donors or internal restrictions require the endowment principal be maintained.

Revenue recognition

Unrestricted contributions are recognized as revenue of the Unrestricted Fund in the year received. Donor-restricted contributions are recognized as revenue of the Restricted Fund, unless the capital is to be maintained permanently, in which case the contributions are recognized as revenue of the Endowed Fund.

Donation revenue is recorded when a contribution is received. Pledges are not recorded in these financial statements as they are not legally enforceable claims.

The Foundation recognizes revenue and expenses for special events in the year in which the event occurs.

Investments and investment income (loss)

Publicly traded securities are valued based on the latest bid prices and pooled funds are valued based on reported unit values. Short-term securities are valued based on cost plus accrued income, which approximates fair value. Transactions are recorded on a settlement date basis and transaction costs are expensed as incurred.

Investment income (loss), which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, is recorded in the statement of revenue, expenses and changes in fund balances.

Investment income (loss) earned on Restricted Fund and Endowed Fund resources that must be spent on donor-restricted activities is recognized in the Restricted Fund. Investment income (loss) subject to restrictions stipulating that it be added to the principal amount of the endowment is recognized in the Endowed Fund. Unrestricted investment income earned on Unrestricted Fund, Restricted Fund and Endowed Fund resources is recognized in the Unrestricted Fund.

Contributed goods and services

Contributed goods and services are not recognized in the financial statements.

Centre for Addiction and Mental Health Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

Expense allocations

Expenses have been allocated between the Unrestricted and Restricted Funds based primarily on the time spent by staff and the purpose of the expense.

Financial instruments

The Foundation 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*.

Change in accounting policies

Effective April 1, 2008, the Foundation adopted the recommendations of CICA 1535: *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the Foundations objectives, policies and processes for managing capital. The adoption of these recommendations only required additional disclosures, which are provided in note 9.

Future changes in accounting policies

Financial statement presentation

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 revenues and expenses on a gross basis in the statement of operations unless not required by other guidance. A new section, CICA 4470: *Disclosure of Allocated Expenses by Not-for-Profit Organizations*, was included in the revisions which requires certain disclosures when fundraising and general support expenses are allocated to other functions. These changes in accounting policies must be adopted by fiscal years beginning on or after January 1, 2009, with earlier adoption permitted. Management is 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.

Centre for Addiction and Mental Health Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

Financial statement concepts

In February 2008, the Accounting Standards Board amended CICA 1000: *Financial Statement Concepts*, to clarify that assets not meeting the definition of an asset or the recognition criteria are not permitted to be recognized on the balance sheet.

The amendments are effective for financial statements for fiscal years beginning on or after October 1, 2008. The Foundation is examining its current approach to recognizing costs as assets and will implement these standards effective April 1, 2009 retroactively with restatement of the prior year. Management is currently carrying out a review to determine the impact.

3. CASH AND INVESTMENTS

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 CAMH.

Cash is held in a Canadian chartered bank earning interest at the bank's prime rate less 1.75%.

The investments are comprised as follows:

	2009	2008
	\$	\$
Canadian Money Market Fund	6,151,410	3,245,548
Canadian Fixed Income Fund	17,302,504	13,639,536
Canadian Equity Fund	5,526,980	4,613,220
International Equity Fund	1,170,995	1,346,489
SP500 Index Fund	1,171,820	1,746,889
	31,323,709	24,591,682

Centre for Addiction and Mental Health Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

4. RESTRICTED FUND

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

	2009	2008
	\$	\$
Externally restricted		
Research	2,808,835	2,984,077
Redevelopment and related priorities		
Building	2,636,067	1,813,203
Programs	6,846,949	2,755,515
Unallocated	7,350,210	6,706,342
Clinical programs	1,072,390	1,263,729
Policy, education and health promotion	314,631	437,264
	21,029,082	15,960,130
Board designated	365,406	379,299
	21,394,488	16,339,429

5. ENDOWED FUND

[a] Major categories of the Endowed Fund balance are as follows:

	2009	2008
	\$	\$
Funds externally restricted for endowment purposes, income from which must be used for a restricted purpose	4,858,859	5,810,969
Externally restricted funds restricted for endowment purposes by the Board of Directors	1,332,963	1,614,281
Unrestricted funds restricted for endowment purposes by the Board of Directors	657,413	791,000
	6,849,235	8,216,250

[b] In fiscal 2008, the Foundation adopted a policy designed to protect the real value of endowments by limiting the amount of investment income made available for spending and requiring the reinvestment of income not made available. The amount currently made available for spending is 3.5%.

Centre for Addiction and Mental Health Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

The preservation of capital [i.e. any excess investment income earned above the payout rate] is recorded as revenue of the Endowed Fund for externally endowed funds. For Board-endowed unrestricted funds, the preservation of capital is recorded as income of the Unrestricted Fund and transferred to the Endowed Fund in the statement of revenue, expenses and changes in fund balances. For Board-endowed restricted funds, the preservation of capital is recorded as income of the Restricted Fund and transferred to the Endowed Fund in the statement of revenue, expenses and changes in fund balances. In any year, should net investment income not be sufficient to fund the payout calculated in accordance with the Foundation's policy, an amount is transferred to the Restricted and Unrestricted Funds.

- [c] In fiscal 2009, there was a loss of \$1,344,920 [2008 - \$160,729] on investments held for endowments which was recorded as a reduction in the Endowed Fund. The amount of \$70,500 [2008 - \$272,600] made available for spending related to certain funds as calculated in accordance with the Foundation's Endowed Fund Policy was transferred from the Endowed Fund to the Restricted Fund.
- [d] In fiscal 2008, the Board of Directors approved the endowment of \$460,182 from the Restricted Fund and \$791,000 from the Unrestricted Fund. In addition, funds totalling \$2,334,463 previously included in the Restricted Fund were determined to be externally endowed and were transferred to the Endowed Fund. There were no transfers in fiscal 2009.

6. RELATED PARTY TRANSACTIONS

- [a] CAMH provides certain services to the Foundation, and pays some expenses on behalf of the Foundation. The Foundation reimburses CAMH for all direct costs associated with services provided and expenses paid. CAMH provides some administrative support and space to the Foundation at no cost.
- [b] The amount due to CAMH is payable on demand and is non-interest bearing, and is comprised of two components: grants which have not been disbursed to CAMH, and operating expenses incurred by the Foundation that have not been repaid to CAMH.

	2009	2008
	\$	\$
Grants	—	250,438
Expenses	175,514	19,527
Due to the Centre for Addiction and Mental Health	175,514	269,965

Centre for Addiction and Mental Health Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

7. STATEMENT OF CASH FLOWS

A separate statement of cash flows has not been presented as cash flows from operating, investing and financing activities can be readily determined from the other financial statements.

8. FINANCIAL INSTRUMENTS

The Foundation is subject to market risk, interest rate price risk and foreign currency risk with respect to its investment portfolio. To manage these risks, the Foundation has established a target mix of investment types designed to achieve the optimal return within reasonable risk tolerances.

9. CAPITAL MANAGEMENT

In managing capital, the Foundation'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. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to budget. As at March 31, 2009, the Foundation has met its objective of having sufficient liquid resources to meet its current obligations.

10. COMPARATIVE FINANCIAL STATEMENTS

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

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