

Financial Statements

**Centre for Addiction and Mental Health
Foundation**

March 31, 2008

AUDITORS' REPORT

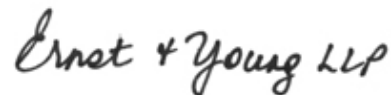
To the Directors of the
Centre for Addiction and Mental Health Foundation

We have audited the balance sheet of the **Centre for Addiction and Mental Health Foundation** as at March 31, 2008 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, 2008 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, except for the change in accounting policies as explained in note 2 to the financial statements, on a basis consistent with that of the preceding year.

Toronto, Canada,
May 28, 2008.



Chartered Accountants
Licensed Public Accountants

Centre for Addiction and Mental Health Foundation

BALANCE SHEET

As at March 31

	2008	2007
	\$	\$
ASSETS		
Cash [note 3]	5,550,918	4,291,553
Investments [note 3]	24,591,682	21,199,259
Accounts receivable	148,980	55,588
Prepaid expenses	109,565	82,531
	30,401,145	25,628,931
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable and accrued liabilities	110,373	55,217
Due to the Centre for Addiction and Mental Health [note 6]	269,965	1,207,503
Deferred revenue	506,562	408,904
Total liabilities	886,900	1,671,624
Fund balances		
Unrestricted	4,958,566	4,137,621
Restricted [note 4]	16,339,429	15,973,289
Endowed [note 5]	8,216,250	3,846,397
Total fund balances	29,514,245	23,957,307
	30,401,145	25,628,931

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>	
	2008	2007	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE								
Donations	628,471	538,476	7,001,567	7,971,276	69,864	3,000	7,699,902	8,512,752
Bequests	201,229	10,000	10,558	804,208	—	—	211,787	814,208
Special events	1,126,521	846,517	79,621	86,902	—	—	1,206,142	933,419
	1,956,221	1,394,993	7,091,746	8,862,386	69,864	3,000	9,117,831	10,260,379
Investment income (loss), net	820,308	663,884	45,116	327,284	(160,729)	—	704,695	991,168
Other	4,881	—	—	—	—	—	4,881	—
	2,781,410	2,058,877	7,136,862	9,189,670	(90,865)	3,000	9,827,407	11,251,547
EXPENSES								
Fundraising and administration	533,132	417,780	1,721,647	1,205,669	—	—	2,254,779	1,623,449
Special events	587,909	546,817	—	26,513	—	—	587,909	573,330
	1,121,041	964,597	1,721,647	1,232,182	—	—	2,842,688	2,196,779
Excess (deficiency) of revenue over expenses before grants	1,660,369	1,094,280	5,415,215	7,957,488	(90,865)	3,000	6,984,719	9,054,768
Grants to the Centre for Addiction and Mental Health	—	—	2,527,030	2,124,612	—	—	2,527,030	2,124,612
Excess (deficiency) of revenue over expenses for the year	1,660,369	1,094,280	2,888,185	5,832,876	(90,865)	3,000	4,457,689	6,930,156
Fund balances, beginning of year, as originally stated	4,137,621	3,043,341	15,973,289	10,140,413	3,846,397	3,843,397	23,957,307	17,027,151
Adjustment to market [note 2]	(48,424)	—	—	—	1,147,673	—	1,099,249	—
Fund balances, beginning of year, as restated	4,089,197	3,043,341	15,973,289	10,140,413	4,994,070	3,843,397	25,056,556	17,027,151
Interfund transfers [note 5]	(791,000)	—	(2,522,045)	—	3,313,045	—	—	—
Fund balances, end of year	4,958,566	4,137,621	16,339,429	15,973,289	8,216,250	3,846,397	29,514,245	23,957,307

See accompanying notes

Centre for Addiction and Mental Health Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

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 ["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, 2008

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

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

Investment income earned on Restricted Fund and Endowed Fund resources that must be spent on donor-restricted activities is recognized as revenue of the Restricted Fund. Investment income subject to restrictions stipulating that it be added to the principal amount of the endowment is recognized as revenue of the Endowed Fund. Unrestricted investment income earned on Unrestricted Fund, Restricted Fund and Endowed Fund resources is recognized as revenue of 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, 2008

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.

Change in accounting policies

Effective April 1, 2007, the Foundation adopted the recommendations of the Canadian Institute of Chartered Accountants ["CICA"] 3855: *Financial Instruments – Recognition and Measurement* and CICA 3861: *Financial Instruments – Disclosure and Presentation*. CICA 3855 establishes standards for recognizing and measuring financial instruments, including the accounting treatment for changes in fair value. As required by CICA 3855, all investments are now presented at fair value. In prior years, investments were recorded at cost, net of a writedown if market was less than cost and the difference was other than temporary.

As required by the transitional provisions of CICA 3855, the accounting policy change from cost to fair value was adopted retroactively, without restatement of the prior year's financial statements. As a result of the change, as at April 1, 2007, investments were increased by \$1,099,249, the Endowed Fund balance was increased by \$1,147,673, and the Unrestricted Fund balance was decreased by \$48,424.

Future changes in accounting policies

The CICA has issued two new standards, CICA 3862: *Financial Instruments – Disclosures* and CICA 3863: *Financial Instruments – Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures, and the management of these risks.

The CICA has also issued a new accounting standard, CICA 1535: *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

Centre for Addiction and Mental Health Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

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:

	<u>2008</u>	<u>2007</u>	
	Market	Cost	Market
	\$	\$	\$
Canadian Money Market Fund	3,245,548	2,979,345	2,979,345
Canadian Fixed Income Fund	13,639,536	13,988,139	13,933,566
Canadian Equity Fund	4,613,220	1,634,185	2,280,947
International Equity Fund	1,346,489	963,149	1,355,984
SP500 Index Fund	1,746,889	1,634,441	1,748,666
	24,591,682	21,199,259	22,298,508

4. RESTRICTED FUND

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

	<u>2008</u>	<u>2007</u>
	\$	\$
Externally restricted		
Research	2,984,077	3,984,214
Redevelopment		
Building	1,813,203	1,046,508
Programs	2,755,515	3,400,574
Unallocated	6,706,342	5,209,492
Clinical programs	1,263,729	1,286,188
Policy, education and health promotion	437,264	587,967
	15,960,130	15,514,943
Board designated	379,299	458,346
	16,339,429	15,973,289

Centre for Addiction and Mental Health Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

5. ENDOWED FUND

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

	2008	2007
	\$	\$
Funds externally restricted for endowment purposes		
income from which must be used for a restricted purpose	5,810,969	2,843,397
Externally restricted funds restricted for endowment		
purposes by the Board of Directors	1,614,281	1,003,000
Unrestricted funds restricted for endowment purposes		
by the Board of Directors	791,000	—
	8,216,250	3,846,397

[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 investment income currently made available for spending is 3.5%. In any particular year, should net investment income be insufficient to fund the amount to be made available for spending or the return on investments is a net investment loss, the amount that is to be made available for spending is funded by the accumulated reinvested income. However, for individual endowment funds without sufficient accumulated reinvestment income, endowment capital is used in the current year. This amount is expected to be recovered by future net investment income.

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, endowment capital is transferred to the Restricted and Unrestricted Funds. This amount is expected to be recovered by future net investment income.

[c] In 2008, there was a loss of \$160,729 on investments held for endowments which was recorded in the Endowed Fund. The amount of \$272,600, made available for spending as calculated in accordance with the Foundation's Endowment Fund Policy, was transferred from the Endowed Fund to the Restricted Fund.

Centre for Addiction and Mental Health Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

- [d] During the year, 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 have been transferred to the Endowed Fund.

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 expenses incurred by the Foundation in its operations that have not been repaid to CAMH.

	2008	2007
	\$	\$
Grants	250,438	476,197
Expenses	19,527	731,306
Due to the Centre for Addiction and Mental Health	269,965	1,207,503

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. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2008 financial statements.