

# **Holland Bloorview Kids Rehabilitation Hospital**

Financial Statements  
**March 31, 2015**



June 8, 2015

## **Independent Auditor's Report**

### **To the Members of Holland Bloorview Kids Rehabilitation Hospital**

We have audited the accompanying financial statements of Holland Bloorview Kids Rehabilitation Hospital, which comprise the statement of financial position as at March 31, 2015 and the statements of revenues and expenses, changes in net assets, remeasurement gains and losses and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Holland Bloorview Kids Rehabilitation Hospital as at March 31, 2015 and the results of its operations, its remeasurement gains and losses, changes in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

# Holland Bloorview Kids Rehabilitation Hospital

## Statement of Financial Position

As at March 31, 2015

	2015 \$	2014 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	4,558,530	7,735,715
Due from the Ministry of Health and Long-Term Care	1,528,406	1,402,584
Accounts receivable	2,362,598	2,030,429
Other assets	275,460	294,473
Due from related parties (note 6)	1,122,553	903,411
	<u>9,847,547</u>	<u>12,366,612</u>
<b>Investments</b>	42,714,289	38,517,478
<b>Property, plant and equipment</b> (note 3)	<u>80,365,193</u>	<u>83,880,476</u>
	<u>132,927,029</u>	<u>134,764,566</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	9,198,428	9,336,445
Due to the Ministry of Health and Long-Term Care	304,941	494,148
	<u>9,503,369</u>	<u>9,830,593</u>
<b>Deferred contributions</b> (note 4)	6,720,661	6,271,382
<b>Deferred capital grants and donations</b> (note 5)	<u>78,293,176</u>	<u>81,520,503</u>
	94,517,206	97,622,478
<b>Net Assets</b>	<u>38,409,823</u>	<u>37,142,088</u>
	<u>132,927,029</u>	<u>134,764,566</u>
<b>Net assets consist of</b>		
Accumulated operating surplus	26,589,957	26,986,591
Accumulated remeasurement gains	11,819,866	10,155,497
	<u>38,409,823</u>	<u>37,142,088</u>

### Approved by the Board of Trustees

\_\_\_\_\_ Trustee \_\_\_\_\_ Trustee

The accompanying notes are an integral part of these financial statements.

# Holland Bloorview Kids Rehabilitation Hospital

## Statement of Revenues and Expenses

For the year ended March 31, 2015

	2015 \$	2014 \$
<b>Revenues</b>		
Province of Ontario	54,310,073	53,950,270
Other operating grants	6,020,081	5,255,498
Client services and other	12,722,593	13,849,216
Foundation grants and donations	6,897,279	6,045,026
Investment income - net	2,419,069	2,051,547
Amortization of deferred capital grants and donations	747,376	617,661
	<u>83,116,471</u>	<u>81,769,218</u>
<b>Expenses</b>		
Salaries and benefits	64,678,411	62,411,334
Supplies and other	16,125,359	16,374,168
Amortization of furniture and equipment	2,230,676	2,079,294
	<u>83,034,446</u>	<u>80,864,796</u>
<b>Excess of revenues over expenses before undernoted items</b>	82,025	904,422
<b>Amortization of deferred capital grants and donations related to building and building equipment</b>	2,686,356	2,623,522
<b>Amortization of building and building equipment</b>	<u>(3,219,025)</u>	<u>(3,218,283)</u>
<b>Excess (deficiency) of revenues over expenses for the year</b>	<u>(450,644)</u>	<u>309,661</u>

The accompanying notes are an integral part of these financial statements.

# Holland Bloorview Kids Rehabilitation Hospital

## Statement of Changes in Net Assets

For the year ended March 31, 2015

					2015	2014
	Investment in property, plant and equipment \$	Restricted for endowments \$	Restricted for property and building redevelopment \$	Unrestricted \$	Total \$	Total \$
<b>Balance - Beginning of year</b>	12,405,528	1,413,985	4,081,708	9,085,370	26,986,591	26,635,149
Excess (deficiency) of revenues over expenses before undernoted items	(1,483,300)	-	-	1,565,325	82,025	904,422
Amortization of building and building equipment	(3,219,025)	-	-	-	(3,219,025)	(3,218,283)
Amortization of deferred capital grants and donations related to building and building equipment	2,686,356	-	-	-	2,686,356	2,623,522
Excess (deficiency) of revenues over expenses for the year	(2,015,969)	-	-	1,565,325	(450,644)	309,661
Net purchase of property, plant and equipment	1,934,418	-	-	(1,934,418)	-	-
Amounts funded by deferred capital grants and donations	(206,405)	-	-	206,405	-	-
Net change in investment in property, plant and equipment	1,728,013	-	-	(1,728,013)	-	-
Contributions - net of expenses	-	54,010	-	-	54,010	41,781
	1,728,013	54,010	-	(1,728,013)	54,010	41,781
<b>Balance - End of year</b>	12,117,572	1,467,995	4,081,708	8,922,682	26,589,957	26,986,591

The accompanying notes are an integral part of these financial statements.

# Holland Bloorview Kids Rehabilitation Hospital

## Statement of Remeasurement Gains and Losses

For the year ended March 31, 2015

	Investment in property, plant and equipment \$	Restricted for endowments \$	Restricted for property and building redevelopment \$	Unrestricted \$	Total \$
<b>Accumulated remeasurement gains - Beginning of year</b>	-	867,712	1,301,302	7,986,483	10,155,497
Unrealized gain on available-for-sale financial assets arising during the year	-	76,968	236,623	1,350,778	1,644,369
<b>Accumulated remeasurement gains - End of year</b>	-	944,680	1,537,925	9,337,261	11,819,866
<b>Summary by fund</b>					
Accumulated operating surplus	12,117,572	1,467,995	4,081,708	8,922,682	26,589,957
Accumulated remeasurement gains	-	944,680	1,537,925	9,337,261	11,819,866
	<u>12,117,572</u>	<u>2,412,675</u>	<u>5,619,633</u>	<u>18,259,943</u>	<u>38,409,823</u>

The accompanying notes are an integral part of these financial statements.

# Holland Bloorview Kids Rehabilitation Hospital

## Statement of Cash Flows

For the year ended March 31, 2015

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	2015 \$	2014 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenues over expenses for the year	(450,644)	309,661
Items not affecting cash		
Amortization of property, plant and equipment	5,449,701	5,297,577
Amortization of deferred capital grants and donations	(3,433,732)	(3,241,183)
Increase (decrease) in deferred contributions	449,279	(613,860)
	<u>2,014,604</u>	<u>1,752,195</u>
Change in non-cash working capital components (note 11)	(985,344)	(385,093)
	<u>1,029,260</u>	<u>1,367,102</u>
<b>Investing activities</b>		
Purchase of investments - net	(2,532,442)	(1,071,209)
<b>Capital activities</b>		
Purchase of property, plant and equipment	(1,934,418)	(1,660,596)
<b>Financing activities</b>		
Capital grants and donations received	206,405	1,306,653
Endowment contributions received - net of expenses	54,010	41,781
	<u>260,415</u>	<u>1,348,434</u>
<b>Decrease in cash and cash equivalents during the year</b>	<b>(3,177,185)</b>	<b>(16,269)</b>
<b>Cash and cash equivalents - Beginning of year</b>	<b>7,735,715</b>	<b>7,751,984</b>
<b>Cash and cash equivalents - End of year</b>	<b>4,558,530</b>	<b>7,735,715</b>
<b>Cash and cash equivalents comprise</b>		
Cash	2,544,686	6,735,715
Cash equivalents	2,013,844	1,000,000
	<u>4,558,530</u>	<u>7,735,715</u>

The accompanying notes are an integral part of these financial statements.

# Holland Bloorview Kids Rehabilitation Hospital

## Notes to Financial Statements

March 31, 2015

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### 1 Purpose of organization

Holland Bloorview Kids Rehabilitation Hospital (Holland Bloorview) is Canada's largest children's rehabilitation teaching hospital, fully affiliated with the University of Toronto.

Holland Bloorview was incorporated without share capital under the laws of Ontario and is registered as a charitable organization under the Income Tax Act and, accordingly, is exempt from income taxes provided certain requirements of the Income Tax Act are met.

### 2 Summary of significant accounting policies

The following is a summary of the significant accounting policies followed in the preparation of these financial statements.

#### Basis of accounting and presentation

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards (PSAS), including standards that apply to government not-for-profit organizations. The financial statements reflect the total services of Holland Bloorview, which include clinical, educational and research activities for children and youth with disabilities. The financial statements do not include the assets, liabilities, operations and cash flows of Holland Bloorview Kids Rehabilitation Hospital Foundation (the Foundation), which is a separate entity.

#### Toronto Central Local Health Integration Network (TC LHIN) funding

Under the Health Insurance Act (Ontario) and the Local Health System Integration Act 2006, Holland Bloorview is funded primarily by the Province of Ontario through the Ministry of Health and Long-Term Care (MOHLTC) and in accordance with budget arrangements established by TC LHIN. These financial statements reflect agreed funding arrangements approved by TC LHIN with respect to the year ended March 31, 2015.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and short-term investments. Short-term investments are highly liquid, subject to insignificant risk of change in value and are redeemable on demand.

#### Revenue recognition

Holland Bloorview follows the deferral method of accounting for contributions. Operating grants are recorded as revenue in the year to which they relate. Grants approved but not received are accrued. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions other than endowment contributions are deferred and recognized as revenue in the year in which the related expenses are incurred. Endowment contributions are recognized as direct increases in endowment net assets when received.

# Holland Bloorview Kids Rehabilitation Hospital

## Notes to Financial Statements

March 31, 2015

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Revenue from all other sources is recognized when the service is provided.

Investments comprise funds invested in externally managed balanced pooled funds. Income distributions from these pooled funds and realized gains and losses, net of fees are recognized in investment income in the statement of revenues and expenses.

### Property, plant and equipment

Property, plant and equipment are stated at cost and amortized on a straight-line basis over their useful lives as follows:

Furniture and equipment	5 to 20 years
Building equipment	5 to 40 years
Building	40 years

Contributed property, plant and equipment are recorded at fair value at the date of contribution. Costs incurred that substantially increase the useful lives of existing property, plant and equipment are capitalized. Costs to maintain normal operating efficiency are expensed as incurred.

In accordance with PSAS, Holland Bloorview reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable and exceeds its fair value. The impairment loss is measured as the extent to which the carrying amount exceeds the fair value.

### Deferred capital grants and donations

Capital grants and donations received as funding for property, plant and equipment additions are initially deferred and realized in revenue on the same basis as the amortization of the cost of the related property, plant and equipment.

### Restricted net assets

All of the net assets restricted for endowment purposes are subject to externally imposed restrictions, stipulating that the principal be maintained intact. Investment income earned on resources restricted for endowments is reported in the restricted for endowments fund or the unrestricted fund, depending on the nature of any restrictions imposed by contributors of funds for endowment.

### Use of estimates

The preparation of the financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# Holland Bloorview Kids Rehabilitation Hospital

## Notes to Financial Statements

March 31, 2015

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Estimates are used primarily in the determination of accounts receivable. The provisions against those balances are primarily assessed on historical collectibility of the accounts with specific provisions for larger outstanding balances deemed potentially uncollectible.

### Donated services and materials

Holland Bloorview benefits from the services of volunteers, the fair value of which, although essential to the operations of Holland Bloorview, is not reflected in these financial statements.

Significant donated materials are recorded at their fair values.

### 3 Property, plant and equipment

	<b>2015</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</b>	
Land	138,478	-	138,478
Furniture and equipment	28,853,646	22,736,010	6,117,636
Building equipment	17,759,420	9,819,907	7,939,513
Building	85,607,132	19,437,566	66,169,566
	<hr/> 132,358,676	51,993,483	<hr/> 80,365,193
			<hr/> <b>2014</b> <hr/>
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</b>	
Land	138,478	-	138,478
Furniture and equipment	27,864,132	21,469,636	6,394,496
Building equipment	17,784,535	8,800,673	8,983,862
Building	85,601,416	17,237,776	68,363,640
	<hr/> 131,388,561	47,508,085	<hr/> 83,880,476

During the year, Holland Bloorview wrote off \$964,303 (2014 - \$316,188) of fully amortized assets.

### Building redevelopment

Holland Bloorview completed construction of a new facility at a final cost of \$107 million in 2007.

In connection with this redevelopment project, there was \$713,376 (2014 - \$713,376) in outstanding letters of credit as at March 31, 2015.

# Holland Bloorview Kids Rehabilitation Hospital

## Notes to Financial Statements

March 31, 2015

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### 4 Deferred contributions

Deferred contributions represent unspent externally restricted grants and donations for research and other purposes.

	2015 \$	2014 \$
Balance - Beginning of year	6,271,382	6,885,242
Add: Amounts received or receivable	17,510,766	15,554,584
Less: Amounts recognized as revenue in the year	(17,061,487)	(16,168,444)
	<hr/>	<hr/>
Balance - End of year	6,720,661	6,271,382

### 5 Deferred capital grants and donations

Deferred capital grants and donations represent the unamortized amount and unspent amount for the purchase of property, plant and equipment. The amortization of capital grants and donations is recorded as revenue in the statement of revenues and expenses.

	2015 \$	2014 \$
Balance - Beginning of year	81,520,503	83,455,033
Capital grants and donations received	206,405	1,306,653
Amortization of deferred capital grants and donations	(3,433,732)	(3,241,183)
	<hr/>	<hr/>
Balance - End of year	78,293,176	81,520,503
	<hr/>	<hr/>
Unamortized capital grants and donations used to purchase property, plant and equipment	68,247,621	71,474,948
Unspent contributions	10,045,555	10,045,555
	<hr/>	<hr/>
	78,293,176	81,520,503

### 6 Related party transactions

The Foundation, which was established to raise funds to support Holland Bloorview and its programs and capital needs, is incorporated without share capital under the laws of the Province of Ontario and is a charitable organization registered under the Income Tax Act. Holland Bloorview is considered to have significant influence over the Foundation due to common directors on the boards and material inter-entity transactions. The Foundation's accounts have not been consolidated in Holland Bloorview's financial statements.

# Holland Bloorview Kids Rehabilitation Hospital

## Notes to Financial Statements

March 31, 2015

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During the year, the Foundation granted \$7,270,543 (2013 - \$6,039,377) to Holland Bloorview to fund programs and capital expenditures. The balance due from the Foundation of \$1,122,553 (2013 - \$903,411) comprises grants payable and operating expenses paid by Holland Bloorview on behalf of the Foundation. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by both parties.

### **7 Pension plan**

Substantially all of the employees at Holland Bloorview are members of the Healthcare of Ontario Pension Plan (HOOPP), which is a defined benefit multi-employer contributory pension plan. The plan is accounted for as a defined contribution plan. Employer contributions made to the plan during the year by Holland Bloorview amounted to \$4,000,360 (2014 - \$3,873,856). These amounts are included in salaries and benefits expenses in the statement of revenues and expenses. The most recent actuarial valuation of the plan as at December 31, 2012 indicated the plan was fully funded on a solvency basis.

### **8 Centralized equipment pool**

Holland Bloorview is responsible for administering the provincial program that provides equipment on loan or lease as communication aids for people with disabilities. This equipment is accounted for in a manner similar to the treatment of prescription drugs and is expensed when prescribed. The amount charged to supplies and other expenses in the statement of revenues and expenses for the purchase of equipment for lease is \$2,998,674 (2014 - \$2,577,698). These costs are funded by the MOHLTC.

### **9 Contingent liability**

Holland Bloorview is a member of the Healthcare Insurance Reciprocal of Canada (HIROC) and therefore has an economic interest in HIROC. HIROC is a pooling of the public liability insurance risks of its hospital members. All members of the HIROC pool pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the pool for the years in which they were a member. No such assessments have been made for the year ended March 31, 2015.

### **10 Financial instruments and risk management**

Financial instruments are recorded at fair value on initial recognition. Financial instruments such as cash and cash equivalents and investments are reported at fair value. All other financial instruments, including accounts receivable, due from the MOHLTC, due from related parties, accounts payable and accrued liabilities, and due to the MOHLTC, are recorded at amortized cost.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of revenues and expenses.

# Holland Bloorview Kids Rehabilitation Hospital

## Notes to Financial Statements

March 31, 2015

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All financial assets are assessed annually for impairment. When a decline in value is determined to be other than temporary, the amount of loss is reported in the statement of revenues and expenses.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine the interest income or expense.

### Fair value measurement

The following classification system is used to describe the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

The following table illustrates the classification of Holland Bloorview's financial instruments within the fair value hierarchy as at March 31:

				2015
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash and cash equivalents	4,558,530	-	-	4,558,530
Investments	42,389,289	325,000	-	42,714,289
	<hr/>	<hr/>	<hr/>	<hr/>
	46,947,819	325,000	-	47,272,819
	<hr/>	<hr/>	<hr/>	<hr/>
				2014
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash and cash equivalents	7,735,715	-	-	7,735,715
Investments	38,292,478	225,000	-	38,517,478
	<hr/>	<hr/>	<hr/>	<hr/>
	46,028,193	225,000	-	46,253,193
	<hr/>	<hr/>	<hr/>	<hr/>

### Risk management

Holland Bloorview is exposed to a variety of financial risks, including market risk, credit risk and liquidity risk. Holland Bloorview's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on Holland Bloorview's financial performance. Holland Bloorview is exposed to market risk and credit risk as described below.

# Holland Bloorview Kids Rehabilitation Hospital

## Notes to Financial Statements

March 31, 2015

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- **Market risk**

Holland Bloorview is exposed to market risk through the fluctuation of financial instrument fair values due to changes in market prices. The significant market risks to which Holland Bloorview is exposed are interest rate and other price risks.

- Interest rate risk

Interest rate risk is the risk the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Holland Bloorview is exposed to interest rate risk as a result of cash balances. As at March 31, 2015, Holland Bloorview's estimate of the exposure to interest rate risk and the effect on net assets is not material.

- Other price risk

Other price risk refers to the risk the fair value of financial instruments or future cash flows associated with the financial instruments will fluctuate because of changes in market prices other than those arising from interest rate risk. Holland Bloorview is exposed to price risk through its investments.

As at March 31, 2015, Holland Bloorview's total exposure to other price risk is \$42,714,289. Holland Bloorview's estimate of the effect on net assets as at March 31, 2015 due to a 5% increase or decrease in the fair value of investments, with all other variables held constant, would approximately amount to an increase or decrease of \$2,135,715. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

- **Credit risk**

Holland Bloorview is exposed to credit risk in the event of non-payment by patients for non-insured services and services provided to non-resident patients. The risk is common to hospitals as they are required to provide care for patients regardless of their ability to pay for services provided.

As at March 31, 2015, the following accounts receivable were past due but not impaired:

	<b>Less than 180 days \$</b>	<b>Over 180 days \$</b>
Accounts receivable	1,994,547	571,513
Allowance for doubtful accounts	-	(203,462)
	<hr/> 1,994,547	<hr/> 368,051

# Holland Bloorview Kids Rehabilitation Hospital

Notes to Financial Statements

March 31, 2015

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## 11 Supplemental disclosure of cash flow information

Changes in non-cash working capital balances related to operations are as follows:

	2015 \$	2014 \$
Due from the MOHLTC	(125,822)	(430,128)
Accounts receivable	(332,169)	1,125,161
Other assets	19,013	(8,041)
Due from related parties	(219,142)	28,009
Accounts payable and accrued liabilities	(138,017)	(1,051,721)
Due to the MOHLTC	(189,207)	(48,373)
	<u>(985,344)</u>	<u>(385,093)</u>

## 12 Comparative figures

Certain reclassifications have been made to the prior year's statement of changes in net assets, which has had no impact on the total net assets previously reported.