

Bloorview Kids Rehab

Financial Statements
March 31, 2006

May 12, 2006

Auditors' Report

To the Board of Trustees of Bloorview Kids Rehab

We have audited the balance sheet of **Bloorview Kids Rehab** as at March 31, 2006 and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Bloorview Kids Rehab'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 **Bloorview Kids Rehab** as at March 31, 2006 and the results of its operations and its cash flows and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Bloorview Kids Rehab

Balance Sheet

As at March 31, 2006

	2006 \$	2005 \$
Assets		
Current assets		
Cash	7,766,793	6,411,098
Due from/to the Ministry of Health and Long-Term Care	3,510,582	2,433,227
Accounts receivable	2,640,292	2,864,033
Mortgage receivable (note 5)	10,380,575	-
Other assets	255,818	197,774
Due from related parties (note 9)	183,883	333,680
	<hr/>	<hr/>
	24,737,943	12,239,812
Investments - market value - 2006 - \$23,695,057 (2005 - \$28,307,414) (note 3)	21,138,858	26,553,073
Mortgage receivable (note 5)	-	10,380,575
Property, plant and equipment (note 4)	99,505,227	55,695,584
	<hr/>	<hr/>
	145,382,028	104,869,044
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 4)	21,619,685	16,097,140
Deferred contributions (note 6)	2,200,000	-
	<hr/>	<hr/>
	23,819,685	16,097,140
Deferred contributions (note 6)	2,897,754	3,586,455
Deferred capital grants and donations (note 7)	93,647,288	59,935,756
	<hr/>	<hr/>
	120,364,727	79,619,351
Net Assets	25,017,301	25,249,693
	<hr/>	<hr/>
	145,382,028	104,869,044
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Approved by the Board of Directors

_____ Director

_____ Director

Bloorview Kids Rehab

Statement of Revenues and Expenses For the year ended March 31, 2006

	2006 \$	2005 \$
Revenues		
Ministry of Health and Long-Term Care	44,298,579	42,479,823
Other operating grants	2,798,714	2,506,437
Client services and other	9,014,794	8,590,049
Foundation grants and donations	2,330,360	2,318,396
Investment income - net	1,263,946	990,308
Amortization of deferred capital grants and donations	490,379	537,628
	<hr/> 60,196,772	<hr/> 57,422,641
Expenses		
Salaries and benefits	46,397,960	44,847,970
Supplies and other	12,323,052	10,632,963
Amortization of equipment	1,290,760	1,423,639
Restructuring costs - net (note 12)	-	348,626
	<hr/> 60,011,772	<hr/> 57,253,198
Excess of revenues over expenses before other items	185,000	169,443
Amortization of deferred capital grants and donations related to buildings	-	57,378
Building amortization	(461,833)	(435,544)
Gain on sale of Bloorview property (note 5)	-	11,516,254
Excess (deficiency) of revenues over expenses for the year	<hr/> (276,833)	<hr/> 11,307,531

Bloorview Kids Rehab

Statement of Changes in Net Assets

For the year ended March 31, 2006

				2006	2005
	Investment in property, plant and equipment \$	Restricted for endowments \$	Unrestricted \$	Total \$	Total \$
Balance - Beginning of year	3,306,752	1,452,487	20,490,454	25,249,693	14,043,696
Excess of revenues over expenses before undernoted items	-	-	985,381	985,381	1,055,454
Gain on sale of Bloorview property (note 5)	-	-	-	-	11,516,254
Amortization of property, plant and equipment	(1,752,593)	-	-	(1,752,593)	(1,859,183)
Amortization of deferred capital grants and donations	490,379	-	-	490,379	595,006
Excess (deficiency) of revenues over expenses for the year	(1,262,214)	-	985,381	(276,833)	11,307,531
Purchase of property, plant and equipment	45,562,236	-	(45,562,236)	-	-
Amounts funded by deferred capital grants and donations	(37,871,261)	-	37,871,261	-	-
Net change in investment in property, plant and equipment	7,690,975	-	(7,690,975)	-	-
Contributions - net of disbursements and transfers	-	44,441	-	44,441	(101,534)
Balance - End of year	9,735,513	1,496,928	13,784,860	25,017,301	25,249,693

Bloorview Kids Rehab

Statement of Cash Flows

For the year ended March 31, 2006

	2006 \$	2005 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenses for the year	(276,833)	11,307,531
Items not affecting cash		
Amortization of property, plant and equipment	1,752,593	1,859,183
Gain on sale of Bloorview property	-	(11,516,254)
Amortization of deferred capital grants and donations	(490,379)	(595,006)
Increase in deferred contributions	1,511,299	591,517
	2,496,680	1,646,971
Change in non-cash working capital components	4,760,684	8,250,954
	7,257,364	9,897,925
Investing activities		
Redemption (purchase) of investments - net	5,414,215	(5,314,009)
Redemption of Superbuild Fund	-	23,705,224
Purchase of property, plant and equipment - net	(45,562,236)	(38,329,200)
Net proceeds on sale of Bloorview property	-	4,592,345
	(40,148,021)	(15,345,640)
Financing activities		
Capital grants and donations received	34,201,911	9,150,853
Interest on capital grants	-	467,776
Endowment contributions received - net of transfers	44,441	(101,534)
	34,246,352	9,517,095
Increase in cash during the year	1,355,695	4,069,380
Cash - Beginning of year	6,411,098	2,341,718
Cash - End of year	7,766,793	6,411,098

Bloorview Kids Rehab

Notes to Financial Statements

March 31, 2006

1 Purpose of organization

Effective February 17, 2006, Bloorview MacMillan Children's Centre changed its name to Bloorview Kids Rehab (Bloorview). Bloorview provides leadership in specialized family centred rehabilitation and habitation, consumer and professional education, research and advocacy for children and youth with disabilities and complex medical conditions throughout Ontario and beyond. Bloorview is fully affiliated with the University of Toronto as an academic health science centre.

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.

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 on the accrual basis of accounting and reflect the total services of 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 Bloorview Kids Rehab Foundation, Bloorview Childrens Hospital Foundation and Bloorview School Authority, which are separate entities.

Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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 may differ from those estimates.

Revenue recognition

Bloorview follows the deferral method of accounting for contributions. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received are accrued. Unrestricted contributions are recognized as revenues 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 recognized as revenue in the year in which the related expenses are recognized. Endowment contributions are recognized as direct increases in endowment net assets.

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Contributions restricted for the purchase of property, plant and equipment are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related property, plant and equipment. Interest earned on capital grants from the Ministry of Health and Long-Term Care's (the MOHLTC) Superbuild Growth Fund has been recorded as a deferred capital grant and will be used for the building redevelopment (notes 4 and 7).

The revenue from all other sources is recognized when the service is provided.

Net assets restricted for endowments

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 endowments fund or the unrestricted fund, depending on the nature of any restrictions imposed by contributors of funds for endowment.

Ministry of Health and Long-Term Care funding

Under the Health Insurance Act and the regulations thereto, Bloorview is funded primarily by the Province of Ontario in accordance with budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC with respect to the year ended March 31, 2006.

Investments

Investments are recorded at cost and written down to market only if an other than temporary impairment in value exists. When determining if an other than temporary impairment in value exists, management considers the nature of the investments, the length of time an impairment has existed, how long the investment is expected to be held and the factors causing the decline in impairment.

Property, plant and equipment

Property, plant and equipment are carried at cost and amortized on a straight-line basis over their remaining useful lives at the following annual rates:

Land improvements	5.25% - 20%
Buildings and building renovations	2% - 20%
Equipment	5% - 25%

Building redevelopment costs, which are currently capitalized, are not being amortized until the new building is in use, effective April 2006.

Deferred capital grants and donations

Capital grants and donations received as funding for property, plant and equipment additions are deferred and amortized on the same basis as the related property, plant and equipment with the related amortization included in the statement of revenues and expenses.

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Notes to Financial Statements

March 31, 2006

Donated services and materials

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

Significant donated materials are recorded at their fair values.

Financial instruments

The carrying values of the amounts due from the MOHLTC, accounts receivable, due from related parties and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The mortgage receivable is discussed in note 5.

Employee future benefits

Certain former employees are entitled to receive payment for early retirement, calculated at the current rates of pay. A provision has been made in the accounts for this liability.

3 Investments

The components of the investment portfolio are as follows:

	Cost		Market	
	2006	2005	2006	2005
	\$	\$	\$	\$
Pooled Investment Fund - net	21,123,858	26,538,073	23,680,057	28,292,414
Common shares	15,000	15,000	15,000	15,000
	<u>21,138,858</u>	<u>26,553,073</u>	<u>23,695,057</u>	<u>28,307,414</u>

4 Property, plant and equipment

	2006		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Land	138,478	-	138,478
Land improvements	60,981	60,981	-
Building and building renovations	9,983,273	9,983,273	-
Equipment	15,576,369	10,427,634	5,148,735
Building redevelopment	94,218,014	-	94,218,014
	<u>119,977,115</u>	<u>20,471,888</u>	<u>99,505,227</u>

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Notes to Financial Statements

March 31, 2006

	2005		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Land	138,478	-	138,478
Land improvements	60,981	60,981	-
Building and building renovations	9,983,273	9,521,439	461,834
Equipment	14,341,518	9,464,329	4,877,189
Building redevelopment	50,218,083	-	50,218,083
	<u>74,742,333</u>	<u>19,046,749</u>	<u>55,695,584</u>

Building redevelopment

Bloorview is currently constructing a new facility on the MacMillan site, which is expected to be completed by October 2006. The estimated construction costs to completion are \$9.8 million. To date, the MOHLTC has approved a grant up to \$57 million. Funding beyond the MOHLTC's contribution will be derived from the sale of the Bloorview property, fundraising, grants from the foundations and existing funds within Bloorview. Amounts capitalized to property, plant and equipment to date are \$94,218,014 (2005 - \$50,218,083).

Included in property, plant and equipment and accounts payable and accrued liabilities, relating to the building redevelopment, as at March 31, 2006 are approximately \$4.3 million (2005 - \$5.1 million) and vendor holdbacks of approximately \$7.9 million (2005 - \$4.1 million).

5 Sale of Bloorview property

During the year ended March 31, 2005, Bloorview sold the property located at 25 Buchan Court, Toronto (the Bloorview property) for \$15,380,575. The net book value of the property was \$3,456,666. The purchase price included a vendor take-back mortgage, maturing no later than December 2006, of \$10,380,575. The remaining proceeds of \$5,000,000 were received in cash. As part of the sale transaction, Bloorview leased back the Bloorview site from the purchaser for a period of two years, equivalent to the term of the mortgage. The mortgage is interest free and rent is not payable during the term of the mortgage. The fair value of the mortgage for the year ended March 31, 2006, at 6%, is \$9,936,696. Fair market value of interest calculated for the remainder of the term at 6% of \$447,551 has not been recorded and offsets imputed rent assumed to be of the same value.

Bloorview will receive an additional amount if the purchaser receives approval to expand beyond the square footage noted in the existing agreement. Additional expenses related to commissions and other expenses will be incurred. Due to the uncertainty of this purchase price adjustment, it has not been recorded for the current fiscal year.

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Notes to Financial Statements

March 31, 2006

	\$
Total proceeds	15,380,575
Net book value of assets and other expenses	<u>3,864,321</u>
Gain on sale	<u>11,516,254</u>

6 Deferred contributions

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

	2006 \$	2005 \$
Balance - Beginning of year	3,586,455	2,994,938
Add: Amounts received or receivable	6,016,617	8,929,675
Less: Amounts recognized as revenue in the year	<u>(4,505,318)</u>	<u>(8,338,158)</u>
Balance - End of year	<u>5,097,754</u>	<u>3,586,455</u>
Current	2,200,000	-
Long-term	<u>2,897,754</u>	<u>3,586,455</u>
	<u>5,097,754</u>	<u>3,586,455</u>

7 Deferred capital grants and donations

Deferred capital grants and donations related to property, plant and equipment 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.

	2006 \$	2005 \$
Deferred capital grants and donations - Beginning of year	59,935,756	50,793,132
Capital grants and donations received	34,201,911	9,150,853
Capital grants receivable	-	732,000
Interest on Superbuild funds	-	467,776
Amortization of deferred capital grants and donations	(490,379)	(595,006)
Unamortized portion of capital grant relating to the Bloorview property sold (note 5)	<u>-</u>	<u>(612,999)</u>
Deferred capital grants and donations - End of year	<u>93,647,288</u>	<u>59,935,756</u>
Unamortized capital grants and donations used to purchase assets	89,769,714	52,388,832
Unspent contributions	<u>3,877,574</u>	<u>7,546,924</u>
	<u>93,647,288</u>	<u>59,935,756</u>

Bloorview Kids Rehab

Notes to Financial Statements

March 31, 2006

8 Investment in property, plant and equipment

Investment in property, plant and equipment is calculated as follows:

	2006 \$	2005 \$
Property, plant and equipment (note 4)	99,505,227	55,695,584
Amounts financed by deferred capital grants and donations (note 7)	(89,769,714)	(52,388,832)
	<u>9,735,513</u>	<u>3,306,752</u>

9 Related party transactions

Bloorview is affiliated with two charitable foundations: Bloorview Childrens Hospital Foundation and Bloorview Kids Rehab Foundation as well as Bloorview School Authority.

Bloorview Childrens Hospital Foundation's objectives are primarily to apply the funds for the benefit of the patients of Bloorview, including capital expenditures. This foundation holds investments in the amount of \$39,641,407 (2005 - \$43,416,591), which includes an endowment fund established primarily to support research within Bloorview, having a current balance, including interest as at March 31, 2006 of \$30,318,861 (2005 - \$28,901,984). During the year, this foundation granted \$6,891,756 (2005 - \$8,454,605) to Bloorview to fund capital and research expenditures.

Bloorview Kids Rehab Foundation receives, manages and distributes funds for the benefit of Bloorview. This foundation holds investments in the amount of \$9,210,489 (2005 - \$8,323,061), the benefits of which are primarily to be used for activities at Bloorview. During the year, this foundation granted \$4,236,192 (2005 - \$2,992,207) to Bloorview to fund programs and capital expenditures.

The Bloorview School Authority (the School) was established on January 1, 1998 under Section 68 of the Education Act. The role of the School is to provide education to children with disabilities who have been admitted to Bloorview. Bloorview provides accounting, administration, purchasing and personnel services to the School. Bloorview also rents a portion of its premises and related facilities to the School. The balance due to the School is comprised of donations held on behalf of the School, net of transactions related to the services provided.

The balances due from the Foundations as noted below are comprised of grants payable and operating expenses paid by Bloorview on behalf of the Foundations. 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 the related parties.

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Due from (to) related parties

	2006 \$	2005 \$
Bloorview Kids Rehab Foundation	204,525	343,045
Bloorview Childrens Hospital Foundation	220,765	236,137
Bloorview School Authority	(241,407)	(245,502)
	<hr/> 183,883	<hr/> 333,680

10 Pension plan

Substantially all of the employees at Bloorview are members of the Hospitals of Ontario Pension Plan, which is a contributory defined benefit multi-employer pension plan. Employer contributions made to the plan during the year by Bloorview amounted to \$2,723,176 (2005 - \$2,561,951). 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, 2003 indicated that the plan was fully funded.

11 Centralized equipment pool

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 similarly to prescription drugs and are expensed when prescribed. The amount charged to supplies and other expenses in the statement of revenues and expenses was \$2,650,835 (2005 - \$1,781,316), with \$2,547,795 (2005 - \$1,985,166) of approved funding from the MOHLTC.

12 Restructuring cost recoveries

The MOHLTC provides funds for the current year's restructuring costs on a pro rata basis based on Bloorview estimates. These payments received for restructuring costs as defined by MOHLTC are recorded as revenue in the year of receipt. For the year ended March 31, 2005, the approved application for funding was \$233,900 against total restructuring costs recorded in the financial statements of \$582,526. Payments made in 2006 against these costs amounted to \$514,750.

13 Contingent liability

On July 1, 1987, a group of health care organizations (subscribers) formed Healthcare Insurance Reciprocal of Canada (HIROC). HIROC is registered as a reciprocal pursuant to provincial Insurance Acts, which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the Provinces of Ontario, Manitoba, Saskatchewan and Newfoundland and Labrador. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2006.

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14 Commitments

Bloorview is a member of the Hospital Business Services Project. The objective of this project is to integrate non-clinical, back office administrative functions at member hospitals to achieve efficiencies and is part of the MOHLTC initiative to bring systems transformation. The agreement has a minimum membership term of ten years with an investment commitment of approximately \$439,000 over the first four years beginning March 31, 2006. The remaining investment has not been accrued in the financial statements for the year ended March 31, 2006.

	\$
2007	61,000
2008	49,000
2009	<u>279,000</u>
	<u>389,000</u>

15 Subsequent event

Bloorview has arranged financing with the Bank of Nova Scotia for up to \$8 million dollars to complete the construction of its new facility. Interest will be payable at current prime or banker's acceptance rates. The outstanding amount is repayable in full by December 31, 2006.

16 Comparative figures

Certain reclassifications have been made to the prior year's financial statements, where appropriate, to conform to the current year's presentation.