

Bloorview Kids Rehab

Financial Statements

March 31, 2008

May 22, 2008

Auditors' Report

To the Members of Bloorview Kids Rehab

We have audited the balance sheet of **Bloorview Kids Rehab** as at March 31, 2008 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, 2008 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, Licensed Public Accountants

Bloorview Kids Rehab

Balance Sheet

As at March 31, 2008

	2008 \$	2007 \$
Assets		
Current assets		
Cash	5,757,716	3,273,100
Due from the Ministry of Health and Long-Term Care and Toronto Central Local Health Integration Networks	1,314,961	4,828,516
Accounts receivable	2,415,363	3,104,828
Other assets	588,023	431,881
Due from related parties (note 7)	445,244	331,044
	<hr/> 10,521,307	<hr/> 11,969,369
Investments (note 2)	20,296,888	17,769,983
Property, plant and equipment (note 3)	<hr/> 104,578,706	<hr/> 107,194,365
	<hr/> 135,396,901	<hr/> 136,933,717
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	7,312,908	10,075,536
Due to the Ministry of Health and Long-Term Care	618,525	347,775
Deferred contributions (note 4)	1,175,395	1,505,174
	<hr/> 9,106,828	<hr/> 11,928,485
Deferred contributions (note 4)	4,047,801	3,562,583
Deferred capital grants and donations (note 5)	<hr/> 95,639,802	<hr/> 96,929,103
	108,794,431	112,420,171
Net Assets	<hr/> 26,602,470	<hr/> 24,513,546
	<hr/> 135,396,901	<hr/> 136,933,717

Approved by the Board of Directors

_____ Director

_____ Director

Bloorview Kids Rehab

Statement of Revenues and Expenses For the year ended March 31, 2008

	2008 \$	2007 \$
Revenues		
Toronto Central Local Health Integration Networks and Ministry of Health and Long-Term Care	48,886,550	45,359,403
Other operating grants	2,341,458	2,616,897
Client services and other	10,156,155	10,565,744
Foundation grants and donations	3,359,818	2,883,804
Investment income - net	1,133,811	1,179,783
Amortization of deferred capital grants and donations	758,007	898,494
	<hr/> 66,635,799	<hr/> 63,504,125
Expenses		
Salaries and benefits	50,871,709	48,291,942
Supplies and other	12,907,161	13,256,765
Amortization of furniture and equipment	1,782,771	1,958,456
	<hr/> 65,561,641	<hr/> 63,507,163
Excess (deficiency) of revenues over expenses before undernoted items	1,074,158	(3,038)
Amortization of deferred capital grants and donations related to building and building equipment	2,707,512	2,592,023
Amortization of building and building equipment	<hr/> (3,278,191)	<hr/> (3,149,735)
Excess (deficiency) of revenues over expenses for the year	<hr/> 503,479	<hr/> (560,750)

Bloorview Kids Rehab

Statement of Changes in Net Assets For the year ended March 31, 2008

				2008	2007
	Investment in property, plant and equipment \$ (note 6)	Restricted for endowments \$	Unrestricted \$	Total \$	Total \$
Balance - Beginning of year	16,972,420	1,553,923	5,987,203	24,513,546	25,017,301
Adjustment to beginning net asset balance on adoption of CICA Handbook Section 3855 - Financial Instruments	-	324,145	2,731,338	3,055,483	-
Adjusted balance - Beginning of year	16,972,420	1,878,068	8,718,541	27,569,029	25,017,301
Excess (deficiency) of revenues over expenses before undernoted items	(1,024,764)	-	2,098,922	1,074,158	(3,038)
Amortization of building and building equipment	(3,278,191)	-	-	(3,278,191)	(3,149,735)
Amortization of deferred capital grants and donations related to building and building equipment	2,707,512	-	-	2,707,512	2,592,023
Excess (deficiency) of revenues over expenses for the year	(1,595,443)	-	2,098,922	503,479	(560,750)
Reclassification adjustment for realized gain included in statement of revenues and expenses	-	(98,036)	(46,025)	(144,061)	-
Unrealized loss on available-for-sale financial assets arising during the year	-	(98,204)	(1,265,932)	(1,364,136)	-
	(1,595,443)	(196,240)	786,965	(1,004,718)	(560,750)
Net purchase of property, plant and equipment	2,445,303	-	(2,445,303)	-	-
Amounts funded by deferred capital grants and donations	(725,733)	-	725,733	-	-
Contributions - net of disbursements and transfers	1,719,570	-	(1,719,570)	-	-
	-	38,159	-	38,159	56,995
	1,719,570	38,159	(1,719,570)	38,159	56,995
Balance - End of year	17,096,547	1,719,987	7,785,936	26,602,470	24,513,546

Bloorview Kids Rehab

Statement of Cash Flows

For the year ended March 31, 2008

	2008 \$	2007 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenses for the year	503,479	(560,750)
Items not affecting cash		
Amortization of property, plant and equipment	5,060,962	5,108,191
Amortization of deferred capital grants and donations	(3,465,519)	(3,490,517)
Increase (decrease) in deferred contributions	155,439	(29,997)
	<hr/>	<hr/>
	2,254,361	1,026,927
Change in non-cash working capital components	1,440,800	(2,921,493)
	<hr/>	<hr/>
	3,695,161	(1,894,566)
Investing activities		
Redemption (purchase) of investments - net	(979,619)	3,368,875
Purchase of property, plant and equipment - net	(2,445,303)	(12,797,329)
	<hr/>	<hr/>
	(3,424,922)	(9,428,454)
Financing activities		
Capital grants and donations received	2,176,218	6,772,332
Proceeds from line of credit facility	-	6,927,710
Repayment of line of credit facility	-	(6,927,710)
Endowment contributions received - net of transfers	38,159	56,995
	<hr/>	<hr/>
	2,214,377	6,829,327
Increase (decrease) in cash during the year	2,484,616	(4,493,693)
Cash - Beginning of year	<hr/>	<hr/>
	3,273,100	7,766,793
Cash - End of year	<hr/>	<hr/>
	5,757,716	3,273,100
Supplementary information		
Interest paid and capitalized as part of property, plant and equipment	-	158,979

Bloorview Kids Rehab

Notes to Financial Statements

March 31, 2008

1 Purpose of organization

Bloorview Kids Rehab (Bloorview) provides leadership in specialized family centred rehabilitation and habilitation, 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 Foundation, Bloorview Childrens Hospital Foundation and Bloorview School Authority, which are separate entities.

Toronto Central Local Health Integration Networks (TC LHIN) funding

Under the Health Insurance Act and the Local Health System Integration Act 2006, Bloorview is funded primarily by the Province of Ontario 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, 2008.

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.

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

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Notes to Financial Statements

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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:

Furniture and equipment	5% - 20%
Building equipment	2.5% - 20%
Building	2.5% - 10%

In accordance with The Canadian Institute of Chartered Accountants (CICA) Handbook Section 3063, Bloorview reviews property, plant and equipment assets 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 value exceeds the fair value.

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.

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.

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 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 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.

Financial instruments

The net carrying values of the amounts due from the Ministry of Health and Long-Term Care (MOHLTC) and TC LHIN, accounts receivable, due from related parties, accounts payable and accrued liabilities and due to the MOHLTC approximate their fair value due to their short-term nature.

Bloorview Kids Rehab

Notes to Financial Statements

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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.

Changes in accounting policies

On April 1, 2007, Bloorview adopted CICA Handbook Section 3855, Financial Instruments - Recognition and Measurement, and Section 3861, Financial Instruments - Disclosure and Presentation. Under the new standards, financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and Bloorview's designation of such instruments. The standard requires that all financial assets and liabilities be classified as either held-for-trading (HFT), available-for-sale (AFS), held-to-maturity, loans and receivables or other liabilities. The standard requires that all financial assets and liabilities, including all derivatives, be measured at fair value with the exception of loans and receivables, debt securities classified as held-to-maturity and AFS financial assets that do not have quoted market prices in an active market. Bloorview has designated each of its significant categories of financial instruments outstanding as of April 1, 2007 as follows:

Cash	held-for-trading
Due from MOHLTC/TC LHIN	loans and receivables
Accounts receivable	loans and receivables
Investments	available-for-sale
Accounts payable and accrued liabilities	other liabilities
Due to MOHLTC	other liabilities

- Held-for-trading

HFT assets are financial assets typically acquired for resale prior to maturity. They are measured at fair value at the balance sheet date. Interest earned, interest accrued and gains and losses realized on disposal and unrealized gains and losses from market fluctuations are included in the statement of revenues and expenses.

- Available-for-sale

AFS financial assets are carried at fair value with unrealized gains and losses included in net assets until realized when the cumulative gain or loss is transferred to the statement of revenues and expenses.

- Loans and receivables

Loans and receivables are accounted for at amortized cost.

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Notes to Financial Statements

March 31, 2008

- Other liabilities

Other liabilities are recorded at amortized cost.

- Derivatives

Derivatives embedded in other financial instruments or contracts are separated from their host contract and accounted for at fair value when the economic characteristics and risks are not closely related to those of the host contract. Bloorview examined all active contracts and financial instruments as of March 31, 2008 for embedded derivatives. Bloorview has determined that it does not have any outstanding contracts or financial instruments with embedded derivatives that require bifurcation.

- Transaction costs

Bloorview has elected to recognize all transaction costs related to financial instruments in the statement of revenues and expenses.

- Transitional adjustments

As required, these standards have been applied to the opening balances as at April 1, 2007, resulting in an opening adjustment of \$3,055,483 to both net assets and investments.

Future accounting policy changes

On April 1, 2007, Bloorview adopted Section 1506, Accounting Changes, of the CICA Handbook, which prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors.

The new Sections 3862 and 3863 replace CICA Handbook Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, but not changing the existing presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The new standards apply to interim and annual financial statements relating to fiscal years beginning April 1, 2008 for Bloorview.

These standards may impact Bloorview's disclosures provided but will not affect Bloorview's results or financial position.

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Notes to Financial Statements

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3 Property, plant and equipment

	2008		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	\$
Land	138,478	-	138,478
Furniture and equipment	20,518,914	11,328,707	9,190,207
Building equipment	17,256,416	2,285,106	14,971,310
Building	84,421,530	4,142,819	80,278,711
	122,335,338	17,756,632	104,578,706
			2007
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	\$
Land	138,478	-	138,478
Furniture and equipment	19,421,398	9,636,303	9,785,095
Building equipment	17,196,742	1,129,759	16,066,983
Building	83,223,785	2,019,976	81,203,809
	119,980,403	12,786,038	107,194,365

Building redevelopment

Bloorview completed construction of their new state-of-the-art facility at a final cost of \$107 million. MOHLTC has approved a grant up to \$62 million of which \$59 million has been received pending a final reconciliation.

In connection with this redevelopment project, there was \$980,117 in outstanding letters of credit as of March 31, 2008.

Included in property, plant and equipment and accounts payable and accrued liabilities are vendor holdbacks of approximately \$78,676 (2007 - \$1.3 million).

During the year ended March 31, 2005, Bloorview sold the property located at 25 Buchan Court, Toronto. The purchase price included a vendor take-back mortgage of \$10,380,575, which matured and was paid in December 2006. The agreement of purchase and sale includes a purchase price adjustment based on the approved and constructed development on the site. Due to the uncertainty of the purchase price adjustment, it has not been recorded in the current year.

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4 Deferred contributions

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

	2008 \$	2007 \$
Balance - Beginning of year	5,067,757	5,097,754
Add: Amounts received or receivable	10,421,467	10,958,664
Less: Amounts recognized as revenue in the year	(10,266,028)	(10,988,661)
	<hr/>	<hr/>
Balance - End of year	5,223,196	5,067,757
	<hr/>	<hr/>
Current	1,175,395	1,505,174
Long-term	4,047,801	3,562,583
	<hr/>	<hr/>
	5,223,196	5,067,757
	<hr/>	<hr/>

5 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.

	2008 \$	2007 \$
Deferred capital grants and donations - Beginning of year	96,929,103	93,647,288
Capital grants and donations received	2,176,218	6,772,332
Amortization of deferred capital grants and donations	(3,465,519)	(3,490,517)
	<hr/>	<hr/>
Deferred capital grants and donations - End of year	95,639,802	96,929,103
	<hr/>	<hr/>
Unamortized capital grants and donations used to purchase assets	87,482,159	90,221,945
Unspent contributions	8,157,643	6,707,158
	<hr/>	<hr/>
	95,639,802	96,929,103
	<hr/>	<hr/>

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Notes to Financial Statements

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6 Investment in property, plant and equipment

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

	2008 \$	2007 \$
Property, plant and equipment (note 3)	104,578,706	107,194,365
Amounts financed by deferred capital grants and donations (note 5)	(87,482,159)	(90,221,945)
	<u>17,096,547</u>	<u>16,972,420</u>

7 Related party transactions

Bloorview is affiliated with two charitable foundations: Bloorview Childrens Hospital Foundation (BCHF) and Bloorview Kids Foundation (BKF), as well as the Bloorview School Authority (School). BCHF and BKF are collectively the Foundations.

BCHF's objectives are primarily to apply its funds for the benefit of the patients of Bloorview, including capital expenditures. BCHF holds investments in the amount of \$43,544,039 (2007 market value - \$46,932,227). During the year, BCHF granted \$1,603,725 (2007 - \$1,420,580) to Bloorview to fund capital and research expenditures.

BCHF established an endowment fund primarily to support research within Bloorview, which has a current balance as at March 31, 2008 of \$33,006,306 (2007 market value - \$36,054,362). In addition, a separate endowment fund for Research Chairs within the Bloorview Research Institute was created with a balance of \$4,279,969 (2007 market value - \$4,426,589) as at March 31, 2008.

BKF receives, manages and distributes funds for the benefit of Bloorview. BKF holds investments in the amount of \$15,743,442 (2007 market value - \$15,380,185), the benefits of which are primarily to be used for activities at Bloorview. During the year, BKF granted \$3,889,851 (2007 - \$3,311,649) to Bloorview to fund programs and capital expenditures.

Due from (to) related parties

	2008 \$	2007 \$
Bloorview Kids Foundation	413,896	270,189
Bloorview Childrens Hospital Foundation	298,388	300,138
Bloorview School Authority	(267,040)	(239,283)
	<u>445,244</u>	<u>331,044</u>

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The balances due from the Foundations 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.

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.

8 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 \$3,047,037 (2007 - \$2,830,726). 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, 2005 indicated that the plan was fully funded.

9 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 \$2,510,100 (2007 - \$2,258,347), with \$2,785,488 (2007 - \$2,404,085) of approved funding from the MOHLTC.

10 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, 2008.

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11 Commitments

Bloorview is a member of Plexxus (formerly Hospital Business Services Project). The objectives of this project are 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 noted below has not been accrued in the financial statements for the year ended March 31, 2008.

	\$
2009	<u>279,000</u>

12 Comparative figures

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