

Bloorview Kids Rehab

Financial Statements

March 31, 2007

May 23, 2007

Auditors' Report

To the Members of Bloorview Kids Rehab

We have audited the balance sheet of **Bloorview Kids Rehab** as at March 31, 2007 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, 2007 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, 2007

	2007 \$	2006 \$
Assets		
Current assets		
Cash	3,273,100	7,766,793
Due from the Ministry of Health and Long-Term Care	4,480,741	3,510,582
Accounts receivable	3,104,828	2,640,292
Mortgage receivable (note 4)	-	10,380,575
Other assets	431,881	255,818
Due from related parties (note 8)	331,044	183,883
	<hr/>	<hr/>
	11,621,594	24,737,943
Investments (note 3)	17,769,983	21,138,858
Property, plant and equipment (note 4)	107,194,365	99,505,227
	<hr/>	<hr/>
	136,585,942	145,382,028
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 4)	10,075,536	21,619,685
Deferred contributions (note 5)	1,505,174	2,200,000
	<hr/>	<hr/>
	11,580,710	23,819,685
Deferred contributions (note 5)	3,562,583	2,897,754
Deferred capital grants and donations (note 6)	96,929,103	93,647,288
	<hr/>	<hr/>
	112,072,396	120,364,727
Net Assets	24,513,546	25,017,301
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	136,585,942	145,382,028

Approved by the Board of Directors

_____ Director

_____ Director

Bloorview Kids Rehab

Statement of Revenues and Expenses For the year ended March 31, 2007

	2007 \$	2006 \$
Revenues		
Ministry of Health and Long-Term Care	45,359,403	44,298,579
Other operating grants	2,616,897	2,798,714
Client services and other	10,565,744	9,014,794
Foundation grants and donations	2,883,804	2,330,360
Investment income - net	1,179,783	1,263,946
Amortization of deferred capital grants and donations	898,494	490,379
	<hr/> 63,504,125	<hr/> 60,196,772
Expenses		
Salaries and benefits	48,291,942	46,397,960
Supplies and other	13,256,765	12,323,052
Amortization of equipment	1,958,456	1,290,760
	<hr/> 63,507,163	<hr/> 60,011,772
Excess (deficiency) of revenues over expenses before undernoted items	(3,038)	185,000
Amortization of deferred capital grants and donations related to building and building equipment	2,592,023	-
Amortization of building and building equipment	<hr/> (3,149,735)	<hr/> (461,833)
Deficiency of revenues over expenses for the year	<hr/> (560,750)	<hr/> (276,833)

Bloorview Kids Rehab

Statement of Changes in Net Assets

For the year ended March 31, 2007

	2007			2006	
	Investment in property, plant and equipment \$ (note 7)	Restricted for endowments \$	Unrestricted \$	Total \$	Total \$
Balance - Beginning of year	9,735,513	1,496,928	13,784,860	25,017,301	25,249,693
Excess (deficiency) of revenues over expenses before undernoted items	(1,059,962)	-	1,056,924	(3,038)	185,000
Amortization of building and building equipment	(3,149,735)	-	-	(3,149,735)	(461,833)
Amortization of deferred capital grants and donations related to building and building equipment	2,592,023	-	-	2,592,023	-
Excess (deficiency) of revenues over expenses for the year	(1,617,674)	-	1,056,924	(560,750)	(276,833)
Purchase of property, plant and equipment	12,797,329	-	(12,797,329)	-	-
Amounts funded by deferred capital grants and donations	(3,942,748)	-	3,942,748	-	-
Net change in investment in property, plant and equipment	8,854,581	-	(8,854,581)	-	-
Contributions - net of disbursements and transfers	-	56,995	-	56,995	44,441
Balance - End of year	16,972,420	1,553,923	5,987,203	24,513,546	25,017,301

Bloorview Kids Rehab

Statement of Cash Flows

For the year ended March 31, 2007

	2007 \$	2006 \$
Cash provided by (used in)		
Operating activities		
Deficiency of revenues over expenses for the year	(560,750)	(276,833)
Items not affecting cash		
Amortization of property, plant and equipment	5,108,191	1,752,593
Amortization of deferred capital grants and donations	(3,490,517)	(490,379)
Increase (decrease) in deferred contributions	(29,997)	1,511,299
	<hr/>	<hr/>
	1,026,927	2,496,680
Change in non-cash working capital components	(2,921,493)	4,760,684
	<hr/>	<hr/>
	(1,894,566)	7,257,364
Investing activities		
Redemption of investments - net	3,368,875	5,414,215
Purchase of property, plant and equipment - net	(12,797,329)	(45,562,236)
	<hr/>	<hr/>
	(9,428,454)	(40,148,021)
Financing activities		
Capital grants and donations received	6,772,332	34,201,911
Endowment contributions received - net of transfers	56,995	44,441
Proceeds from line of credit facility	6,927,710	-
Repayment of line of credit facility	(6,927,710)	-
	<hr/>	<hr/>
	6,829,327	34,246,352
Increase (decrease) in cash during the year	(4,493,693)	1,355,695
Cash - Beginning of year	<hr/>	<hr/>
	7,766,793	6,411,098
Cash - End of year	<hr/>	<hr/>
	3,273,100	7,766,793
Supplementary information		
Interest paid and capitalized as part of property, plant and equipment	158,979	-

Bloorview Kids Rehab

Notes to Financial Statements

March 31, 2007

1 Purpose of organization

Bloorview Kids Rehab (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.

Ministry of Health and Long-Term Care (MOHLTC) 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, 2007.

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.

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.

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

Bloorview Kids Rehab

Notes to Financial Statements

March 31, 2007

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:

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

In accordance with The Canadian Institute of Chartered Accountants 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 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.

Bloorview Kids Rehab

Notes to Financial Statements

March 31, 2007

Financial instruments

The net 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.

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.

3 Investments

The components of the investment portfolio are as follows:

	<u>Cost</u>		<u>Market</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$	\$	\$	\$
Pooled Investment Fund - net	17,754,983	21,123,858	20,810,466	23,680,057
Common shares	15,000	15,000	15,000	15,000
	<u>17,769,983</u>	<u>21,138,858</u>	<u>20,825,466</u>	<u>23,695,057</u>

4 Property, plant and equipment

	<u>2007</u>		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net</u>
	\$	\$	\$
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
	<u>119,980,403</u>	<u>12,786,038</u>	<u>107,194,365</u>

Bloorview Kids Rehab

Notes to Financial Statements

March 31, 2007

	2006		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
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>

Building redevelopment

The new facility was substantially completed in November 2006. The estimated construction costs are \$107 million, of which \$106 million has been incurred to date. The MOHLTC has approved a grant up to \$62 million. Funding beyond the MOHLTC's contribution has been derived from the sale of property, fundraising, grants from foundations and existing funds within Bloorview.

Included in property, plant and equipment and accounts payable and accrued liabilities are vendor holdbacks of approximately \$1.3 million (2006 - \$7.9 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 sale 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 for the current year.

Bloorview Kids Rehab

Notes to Financial Statements

March 31, 2007

5 Deferred contributions

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

	2007 \$	2006 \$
Balance - Beginning of year	5,097,754	3,586,455
Add: Amounts received or receivable	10,958,664	6,016,617
Less: Amounts recognized as revenue in the year	(10,988,661)	(4,505,318)
	<hr/>	<hr/>
Balance - End of year	5,067,757	5,097,754
	<hr/>	<hr/>
Current	1,505,174	2,200,000
Long-term	3,562,583	2,897,754
	<hr/>	<hr/>
	5,067,757	5,097,754
	<hr/>	<hr/>

6 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.

	2007 \$	2006 \$
Deferred capital grants and donations - Beginning of year	93,647,288	59,935,756
Capital grants and donations received	6,772,332	34,201,911
Amortization of deferred capital grants and donations	(3,490,517)	(490,379)
	<hr/>	<hr/>
Deferred capital grants and donations - End of year	96,929,103	93,647,288
	<hr/>	<hr/>
Unamortized capital grants and donations used to purchase assets	90,221,945	89,769,714
Unspent contributions	6,707,158	3,877,574
	<hr/>	<hr/>
	96,929,103	93,647,288
	<hr/>	<hr/>

Bloorview Kids Rehab

Notes to Financial Statements

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7 Investment in property, plant and equipment

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

	2007 \$	2006 \$
Property, plant and equipment (note 4)	107,194,365	99,505,227
Amounts financed by deferred capital grants and donations (note 6)	(90,221,945)	(89,769,714)
	<u>16,972,420</u>	<u>9,735,513</u>

8 Related party transactions

Bloorview is affiliated with two charitable foundations: Bloorview Childrens Hospital Foundation (BCHF) and Bloorview Kids Rehab Foundation (BKRF). Bloorview is also affiliated with the Bloorview School Authority (School).

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 \$41,585,652 (2006 - \$39,641,407). During the year, BCHF granted \$1,420,580 (2006 - \$6,891,756) 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, 2007 of \$31,147,528 (2006 - \$30,318,861). In addition, a separate endowment fund for Research Chairs within the Bloorview Research Institute was created with a balance of \$4,395,884 (2006 - \$nil) as at March 31, 2007. These funds are included in the investment balance noted above.

BKRF receives, manages and distributes funds for the benefit of Bloorview. BKRF holds investments in the amount of \$13,667,127 (2006 - \$9,210,489), the benefits of which are primarily to be used for activities at Bloorview. During the year, BKRF granted \$3,311,649 (2006 - \$4,326,192) to Bloorview to fund programs and capital expenditures.

Due from (to) related parties

	2007 \$	2006 \$
Bloorview Kids Rehab Foundation	270,189	204,525
Bloorview Childrens Hospital Foundation	300,138	220,765
Bloorview School Authority	(239,283)	(241,407)
	<u>331,044</u>	<u>183,883</u>

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.

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Notes to Financial Statements

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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.

9 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 \$2,830,726 (2006 - \$2,723,176). 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.

10 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 \$2,258,347 (2006 - \$2,650,835), with \$2,404,085 (2006 - \$2,547,795) of approved funding from the MOHLTC.

11 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, 2007.

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12 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 noted below has not been accrued in the financial statements for the year ended March 31, 2007.

	\$
2008	49,000
2009	<u>279,000</u>
	<u>328,000</u>

13 Comparative figures

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