

Bloorview Kids Foundation

Financial Statements

March 31, 2009

June 3, 2009

Auditors' Report

To the Members of Bloorview Kids Foundation

We have audited the balance sheet of **Bloorview Kids Foundation** as at March 31, 2009 and the statement of revenues, operating expenses, distributions and changes in fund balances for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of **Bloorview Kids Foundation** as at March 31, 2009 and the results of its operations, its fund balances and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants

Bloorview Kids Foundation

Balance Sheet

As at March 31, 2009

	2009 \$	2008 \$
Assets		
Current assets		
Cash	119,220	128,993
Accrued interest	134,241	125,542
Other receivables and prepaid expenses	16,060	49,632
	<u>269,521</u>	<u>304,167</u>
Investments (note 3)	13,483,856	15,743,442
Equipment - net of accumulated amortization of \$102,252 (2008 - \$89,066)	13,781	16,738
	<u>13,767,158</u>	<u>16,064,347</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	51,931	79,761
Deferred revenue	15,000	15,000
Due to Bloorview Kids Rehab	311,636	413,896
	<u>378,567</u>	<u>508,657</u>
Fund Balances		
Endowment	5,112,359	4,936,225
Restricted	2,358,058	3,642,532
General	5,918,174	6,976,933
	<u>13,388,591</u>	<u>15,555,690</u>
	<u>13,767,158</u>	<u>16,064,347</u>
Commitments (note 7)		

Approved by the Board of Directors

_____ Director

_____ Director

Bloorview Kids Foundation

Statement of Revenues, Operating Expenses, Distributions and Changes in Fund Balances

For the year ended March 31, 2009

				2009	2008
	Endowment Fund \$	Restricted Fund \$	General Fund \$	Total \$	Total \$
Revenues					
Donation and pledge revenue	435,133	2,159,361	866,327	3,460,821	3,838,009
Special events - net (note 4)	42,675	309,087	555,325	907,087	1,076,834
Bequests - net	3,000	-	20,851	23,851	500,295
Realized investment income (note 3)	-	46,157	68,491	114,648	867,568
	480,808	2,514,605	1,510,994	4,506,407	6,282,706
Operating expenses					
Salaries and benefits	-	-	1,093,926	1,093,926	986,861
Administration	-	13,547	288,607	302,154	233,540
Fundraising activities	-	-	222,825	222,825	250,815
	-	13,547	1,605,358	1,618,905	1,471,216
Excess (deficiency) of revenues over operating expenses before the undernoted					
	480,808	2,501,058	(94,364)	2,887,502	4,811,490
Distributions					
Bloorview Kids Rehab (note 5)					
Capital	-	1,720,210	-	1,720,210	1,919,295
Programs, Research and Education	-	1,040,204	651,089	1,691,293	1,970,556
	-	2,760,414	651,089	3,411,503	3,889,851
Excess (deficiency) of revenues over operating expenses and distributions before the undernoted					
	480,808	(259,356)	(745,453)	(524,001)	921,639
Unrealized loss on investments					
	-	(546,462)	(1,096,636)	(1,643,098)	(679,268)
Excess (deficiency) of revenues over operating expenses and distributions for the year					
	480,808	(805,818)	(1,842,089)	(2,167,099)	242,371
Fund balances - Beginning of year					
As previously reported	4,936,225	3,642,532	6,976,933	15,555,690	13,600,261
Changes in balances on adoption of Section 3855 - Financial Instruments (note 11)	(418,813)	(364,517)	783,330	-	1,713,058
As restated (note 2)	4,517,412	3,278,015	7,760,263	15,555,690	15,313,319
Interfund transfer - net (note 6)					
	114,139	(114,139)	-	-	-
Fund balances - End of year					
	5,112,359	2,358,058	5,918,174	13,388,591	15,555,690

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1 Purpose of the Foundation

Bloorview Kids Foundation (the Foundation) was incorporated without share capital under the laws of the Province of Ontario on January 29, 1992 and registered as a charity under Section 149(1) of the Income Tax Act on January 1, 1993. The Foundation's operations commenced April 1, 1993. The Foundation generates, manages and distributes funds and/or the income therefrom, for the benefit of Bloorview Kids Rehab (Bloorview), which provides rehabilitation and habilitation services to children and young adults with disabilities and long-term needs.

2 Summary of significant accounting policies

The financial statements of the Foundation have been prepared in accordance with Canadian generally accepted accounting principles. The following summary of significant accounting policies is set forth to facilitate the understanding of these financial statements.

New accounting pronouncements

For financial statements relating to fiscal years beginning on or after October 1, 2007, specifically April 1, 2008 for the Foundation, the Foundation has adopted the following sections of The Canadian Institute of Chartered Accountants (CICA) Handbook:

- Section 1535, Capital Disclosures

This standard requires that an entity disclose information that enables users of its financial statements to evaluate an entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. This standard impacts the Foundation's disclosures (note 9), but does not affect its results or financial position.

- Sections 3862 and 3863, Financial Instruments - Disclosures and Financial Instruments - Presentation

On October 2, 2008, the Accounting Standards Board (AcSB) announced that application of the following standards was voluntary for not-for-profit organizations: Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation. These standards enhance the disclosure and presentation of financial instruments. The Foundation has chosen not to adopt these standards as management does not believe the additional disclosures would provide additional useful information to users of the financial statements.

Future accounting changes

The AcSB has approved amendments to several of the standards dealing with not-for-profit organizations in the 4400 series of the Handbook sections. These amendments include:

- reporting certain revenues gross in the statement of revenues, operating expenses and changes in fund balances;

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- when a not-for-profit organization classifies its expenses by function and allocates some of its fundraising and general support costs to another function, disclosing the policy adopted for expenses and amounts allocated from each of these two functions to other functions will be required;
- the elimination of the requirement to treat invested in capital assets as a separate component of net assets; and
- the requirement to assess capital assets periodically for impairment.

The changes are effective for years beginning on or after January 1, 2009, with earlier adoption permitted. Management is assessing the impact of these revisions and the timing of their adoption. However, the impact will be limited to additional disclosures.

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

The financial statements separately disclose the activities of the following funds maintained by the Foundation:

- Endowment Fund

Represents resources contributed for endowment, whereby either the donor or internal restrictions require the principal be maintained by the Foundation for a specified period of time.
- Restricted Fund

Represents restricted resources that are to be used as designated by the donor, as stipulated by the fundraising appeal, or as determined by the board.
- General Fund

Represents the Foundation's unrestricted revenue, which supports the programs, services, capital and research of Bloorview, and the Foundation's fundraising and administrative activities.

Revenue and expense recognition

Contributions are recognized as revenues when received. Unrestricted contributions are recognized as revenue of the General Fund. Donor restricted contributions for specific purposes are recognized as revenue of the Restricted Fund unless the capital is to be maintained for a specified period of time in which case the contributions are recognized as revenue of the Endowment Fund. Fundraising event revenue and expenses are recognized in the respective fund in the year the events take place.

As of March 31, 2009, the outstanding balance on all pledges was \$5,267,004, which is expected to be received over the next seven years.

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Endowment Fund

The Foundation holds endowed funds in perpetuity to support Bloorview through the application of investment income generated on endowment contributions. Investment income exceeding the annual distribution is held in a stabilization account, within the Restricted Fund, to mitigate threats to endowed principal. Due to the adoption of CICA Handbook Section 3855 and the classification of investments as held-for-trading, investment income is inclusive of unrealized investment losses, which were significant (\$1,643,098) in 2009.

Consequently, net investment losses in 2009 have eliminated the stabilization balances built up in prior years. This has required a transfer from the Endowment Fund, which is expected to be recovered by future net investment income (note 6(b)).

Investments and investment income

Investments are recorded at market value.

Investment income represents interest, dividends and realized and unrealized gains and losses. Investment income earned on Endowment Fund or Restricted Fund resources, which must be spent on donor or board restricted activities, is recognized as revenue of the Restricted Fund. Investment income subject to donor or board restrictions stipulating that it be added to the principal amount of the endowment is recognized as revenue of the Endowment Fund. Unrestricted investment income is accrued as it is earned in the General Fund.

Unrealized gains and losses incurred on the investment portfolios subsequent to April 1, 2007 have been recognized in the statement of revenues, operating expenses, distributions and changes in fund balances as part of investment income.

Equipment

Equipment is carried at cost and amortized on a straight-line basis over three to five years.

In accordance with CICA Handbook Section 3063, the Foundation reviews equipment assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable and exceeds fair value. The impairment loss is measured as the extent to which the carrying value exceeds the fair value.

Donated services

The Foundation benefits from the services of volunteers, the fair value which is not reflected in these financial statements.

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Financial instruments

Investments are classified as held-for-trading and are recorded at fair value. Transaction costs related to investments classified as held-for-trading are expensed as incurred. For certain of the Foundation's other financial instruments, including cash, accrued interest and other receivables and prepaid expenses (which are classified as loans and receivables), accounts payable and accrued liabilities and due to Bloorview (which are classified as other liabilities), their carrying values approximate their fair values due to their short-term maturities.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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.

3 Investments

The Foundation invests in a portfolio that is held for long-term investment purposes. The components of that portfolio are as follows:

	Market		Cost	
	2009	2008	2009	2008
	\$	\$	\$	\$
Equities	4,124,430	6,550,141	5,162,910	5,803,941
Corporate bonds	2,747,472	2,744,317	2,731,735	2,714,195
Government bonds	5,819,983	4,700,107	5,402,155	4,444,555
Cash and treasury bills	791,971	1,748,877	796,509	1,747,106
	<u>13,483,856</u>	<u>15,743,442</u>	<u>14,093,309</u>	<u>14,709,797</u>

The government and corporate bonds mature as follows:

	Market
	\$
2009	12,558
2010	296,334
2011	617,768
2012	1,070,028
2013	680,126
2014	1,251,564
2015	1,528,819
2016 and thereafter	<u>3,110,258</u>
	<u>8,567,455</u>

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4 Special events - net

				2009
	Endowment Fund \$	Restricted Fund \$	General Fund \$	Total \$
Revenue	42,950	314,767	659,190	1,016,907
Expenses	275	5,680	103,865	109,820
	<u>42,675</u>	<u>309,087</u>	<u>555,325</u>	<u>907,087</u>
				2008
	Endowment Fund \$	Restricted Fund \$	General Fund \$	Total \$
Revenue	41,000	348,360	856,254	1,245,614
Expenses	-	4,001	164,779	168,780
	<u>41,000</u>	<u>344,359</u>	<u>691,475</u>	<u>1,076,834</u>

5 Related party transactions

Distributions to Bloorview include support for research, equipment, capital projects and special programs and services needed to assist patients, clients and families of Bloorview.

6 Interfund transfers

- a) During the year, \$500,000 was transferred from the Restricted Fund to the Endowment Fund. These funds were raised through the "Help Us Defy Disability" campaign to support Bloorview's building fund, research institute, programs and services, education and equipment. The board of directors approved the transfer to establish a Chair in Childhood Disability Studies (previously known as the Chair in Participation) for the Research Institute at Bloorview. To date, \$2,500,000 has been transferred for these purposes and an additional \$500,000 will be transferred from the Restricted Fund to the Endowment Fund for the same purpose in the next fiscal year.
- b) In 2009, the overall investment loss was \$1,528,450, of which \$500,305 was recorded in the Restricted Fund. The amount of \$385,861 was transferred from the Endowment Fund to the Restricted Fund, representing the investment loss on endowments surpassing the stabilization balances and the amount to be made available for distribution spending.

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7 Commitments

The board of directors has approved the fiscal 2010 Business Plan, which includes an objective of granting \$2,561,350 to Bloorview during the course of the year ending March 31, 2010.

8 Statement of cash flows

A statement of cash flows has not been presented, as the information is evident in the existing financial statements.

9 Capital management

The Foundation considers its capital to be its fund balances. This capital is invested to provide for the long-term preservation of the funds and short-term liquidity requirements of the Foundation in line with its overall objectives as set out in note 1. The investments are administered in line with the investment policy as established by the board of the Foundation. The Foundation also has external restrictions in connection with certain of its funds. These restrictions are monitored and the Foundation is currently of the view that it is in compliance with these external restrictions.

10 Amalgamation

During the course of the year, Bloorview Kids Foundation and Bloorview Childrens Hospital Foundation entered into a memorandum of understanding to amalgamate the two foundations in 2009/2010.

11 Comparative figures

Certain comparative figures have been reclassified, if appropriate, to conform to the current year's financial statement presentation.