

Bloorview Kids Rehab

Financial Statements

March 31, 2010

June 2, 2010

Auditors' Report

To the Members of Bloorview Kids Rehab

We have audited the statement of financial position of **Bloorview Kids Rehab** (Bloorview) as at March 31, 2010 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'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, 2010 and the results of its operations, 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

Statement of Financial Position

As at March 31, 2010

	2010 \$	2009 \$
Assets		
Current assets		
Cash and cash equivalents	7,073,716	8,164,349
Due from the Ministry of Health and Long-Term Care and Toronto Central Local Health Integration Network	502,790	1,242,393
Accounts receivable	1,985,188	2,049,074
Other assets	382,099	307,823
Due from related parties (note 6)	361,735	646,661
	<hr/>	<hr/>
	10,305,528	12,410,300
Investments	22,814,715	17,593,408
Property, plant and equipment (note 3)	97,536,456	101,296,510
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	130,656,699	131,300,218
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	8,737,203	7,915,322
Due to the Ministry of Health and Long-Term Care	655,936	714,463
Deferred contributions (note 4)	527,454	851,640
	<hr/>	<hr/>
	9,920,593	9,481,425
Deferred contributions (note 4)	4,167,520	4,595,818
Deferred capital grants and donations (note 5)	91,424,059	93,795,910
	<hr/>	<hr/>
	105,512,172	107,873,153
Net Assets	25,144,527	23,427,065
	<hr/>	<hr/>
	130,656,699	131,300,218

Approved by the Board of Directors

_____ Director

_____ Director

Bloorview Kids Rehab

Statement of Revenues and Expenses For the year ended March 31, 2010

	2010 \$	2009 \$
Revenues		
Toronto Central Local Health Integration Network/Ministry of Health and Long-Term Care	52,192,658	51,333,643
Other operating grants	3,261,479	2,667,942
Client services and other	12,166,257	11,496,822
Foundation grants and donations	3,985,012	3,676,678
Investment income - net	706,249	801,729
Amortization of deferred capital grants and donations	666,883	684,001
	<hr/> 72,978,538	<hr/> 70,660,815
Expenses		
Salaries and benefits	57,570,013	54,362,438
Supplies and other	14,696,403	13,658,867
Amortization of furniture and equipment	1,839,894	1,834,839
Loss from change in investment management (note 10)	-	1,397,863
	<hr/> 74,106,310	<hr/> 71,254,007
Deficiency of revenues over expenses before undernoted items	(1,127,772)	(593,192)
Amortization of deferred capital grants and donations related to building and building equipment	2,652,989	2,656,200
Amortization of building and building equipment	<hr/> (3,329,919)	<hr/> (3,293,518)
Deficiency of revenues over expenses for the year	<hr/> (1,804,702)	<hr/> (1,230,510)

Bloorview Kids Rehab

Statement of Changes in Net Assets

For the year ended March 31, 2010

				2010	2009
	Investment in property, plant and equipment \$	Restricted for Endowments \$	Unrestricted \$	Total \$	Total \$
Balance - Beginning of year	16,810,623	1,334,116	5,282,326	23,427,065	26,602,470
Income (deficiency) of revenues over expenses before undernoted items	(1,173,011)	-	45,239	(1,127,772)	(593,192)
Net amortization of building and building equipment and deferred capital grants	(676,930)	-	-	(676,930)	(637,318)
Income (deficiency) of revenues over expenses for the year	(1,849,941)	-	45,239	(1,804,702)	(1,230,510)
Reclassification adjustment for realized gain included in excess of revenues over expenses	-	-	-	-	(1,547,286)
Unrealized gain (loss) on available for sale financial assets arising during the year	-	411,991	3,090,517	3,502,508	(158,569)
	(1,849,941)	411,991	3,135,756	1,697,806	(2,936,365)
Net purchase of property, plant and equipment	1,409,759	-	(1,409,759)	-	-
Amounts funded by deferred capital grants and donations	(478,936)	-	478,936	-	-
Net change in investment in property, plant and equipment	930,823	-	(930,823)	-	-
Contributions - net of expenses	-	19,656	-	19,656	18,847
Investment loss on change in investment management (note 10)	-	-	-	-	(257,887)
	930,823	19,656	(930,823)	19,656	(239,040)
Balance - End of year	15,891,505	1,765,763	7,487,259	25,144,527	23,427,065

Bloorview Kids Rehab

Statement of Cash Flows

For the year ended March 31, 2010

	2010 \$	2009 \$
Cash provided by (used in)		
Operating activities		
Deficiency of revenues over expenses for the year	(1,804,702)	(1,230,510)
Items not affecting cash		
Amortization of property, plant and equipment	5,169,813	5,128,357
Amortization of deferred capital grants and donations	(3,319,872)	(3,340,201)
Increase (decrease) in deferred contributions	(752,484)	224,262
Loss on redemption of investments	-	1,397,863
	<hr/>	<hr/>
Cash provided by operations before non-cash working capital	(707,245)	2,179,771
Change in non-cash working capital components	1,777,493	1,215,992
	<hr/>	<hr/>
	1,070,248	3,395,763
Investing activities		
Purchase of investments	(1,718,799)	(18,290,432)
Redemption of investments	-	17,632,307
Purchase of property, plant and equipment	(1,409,759)	(1,846,161)
	<hr/>	<hr/>
	(3,128,558)	(2,504,286)
Financing activities		
Capital grants and donations received	948,021	1,496,309
Endowment contributions received - net of transfers	19,656	18,847
	<hr/>	<hr/>
	967,677	1,515,156
Increase (decrease) in cash during the year	(1,090,633)	2,406,633
Cash - Beginning of year	<hr/>	<hr/>
	8,164,349	5,757,716
Cash - End of year	<hr/>	<hr/>
	7,073,716	8,164,349

Bloorview Kids Rehab

Notes to Financial Statements

March 31, 2010

1 Purpose of organization

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

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 (BKF), which is a separate entity.

Toronto Central Local Health Integration Network (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 years ended March 31, 2009 and March 31, 2010.

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 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 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.

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%

Bloorview Kids Rehab

Notes to Financial Statements

March 31, 2010

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.

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 could differ from those estimates.

Financial instruments

Investments are classified as available-for-sale and are recorded at fair value. Bloorview has elected to recognize all transaction costs related to financial instruments in the statement of revenues and expenses. For certain of Bloorview's other financial instruments, including cash, amounts due from the Ministry of Health and Long-Term Care (MOHLTC) and TC LHIN, accounts receivable, due from related parties (which are classified as loans and receivables), accounts payable and accrued liabilities and due to the MOHLTC (which are classified as other liabilities), their carrying values approximate their fair values 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.

Bloorview Kids Rehab

Notes to Financial Statements

March 31, 2010

New accounting pronouncements

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 and expenses;
- 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 investment in property, plant and equipment as a separate component of net assets; and
- the requirement to assess property, plant and equipment periodically for impairment.

Management has assessed the impact of these revisions and the impact is limited to reclassification of numbers in the financial statements.

3 Property, plant and equipment

	2010		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Land	143,218	-	143,218
Furniture and equipment	22,810,866	14,582,880	8,227,986
Building equipment	17,330,687	4,593,210	12,737,477
Building	84,885,948	8,458,173	76,427,775
	<hr/> 125,170,719	<hr/> 27,634,263	<hr/> 97,536,456
			<hr/> 2009 <hr/>
	Cost	Accumulated amortization	Net
	\$	\$	\$
Land	138,478	-	138,478
Furniture and equipment	21,855,023	13,077,703	8,777,320
Building equipment	17,240,187	3,439,959	13,800,228
Building	84,861,970	6,281,486	78,580,484
	<hr/> 124,095,658	<hr/> 22,799,148	<hr/> 101,296,510

Bloorview Kids Rehab

Notes to Financial Statements

March 31, 2010

Building redevelopment

Bloorview completed construction of a new facility at a final cost of \$107 million in 2007. MOHLTC has approved a grant of up to \$62 million of which \$59 million has been received pending a final reconciliation.

In connection with this redevelopment project, there was \$713,376 (2009 - \$713,376) in outstanding letters of credit as at March 31, 2010.

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. As a result, an amount is expected to be received in 2012. Due to the uncertainty of the purchase price adjustment, it has not been recorded in the current year.

4 Deferred contributions

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

	2010 \$	2009 \$
Balance - Beginning of year	5,447,458	5,223,196
Add: Amounts received or receivable	11,647,164	12,439,111
Less: Amounts recognized as revenue in the year	(12,399,648)	(12,214,849)
	<hr/>	<hr/>
Balance - End of year	4,694,974	5,447,458
	<hr/>	<hr/>
Current	527,454	851,640
Long-term	4,167,520	4,595,818
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	4,694,974	5,447,458
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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.

	2010 \$	2009 \$
Deferred capital grants and donations - Beginning of year	93,795,910	95,639,802
Capital grants and donations received	948,021	1,496,309
Amortization of deferred capital grants and donations	(3,319,872)	(3,340,201)
	<hr/>	<hr/>
Deferred capital grants and donations - End of year	91,424,059	93,795,910
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Bloorview Kids Rehab

Notes to Financial Statements

March 31, 2010

	2010 \$	2009 \$
Unamortized capital grants and donations used to purchase property, plant and equipment	81,644,944	84,485,887
Unspent contributions	9,779,115	9,310,023
	<u>91,424,059</u>	<u>93,795,910</u>

6 Related party transactions

On June 30, 2009, Bloorview Kids Foundation and Bloorview Childrens Hospital Foundation amalgamated and continued to operate under the name Bloorview Kids Foundation (BKF). Prior year comparatives have been presented as though the two Foundations had been combined since inception.

BKF generates, manages and distributes funds and/or the income therefrom, for the primary benefit of Bloorview. BKF holds investments in the amount of \$60,682,677 (2009 - \$48,967,791). During the year, BKF granted \$4,669,695 (2009 - \$5,226,870) to Bloorview to fund programs and capital expenditures.

The balance due from BKF of \$361,735 (2009 - \$646,661) is comprised of grants payable and operating expenses paid by Bloorview on behalf of BKF. 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 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 \$3,543,772 (2009 - \$3,277,480). 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, 2007 indicated the plan was fully funded on a solvency basis.

8 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 \$2,640,733 (2009 - \$2,559,678), with \$2,833,675 (2009 - \$2,817,299) of approved funding from the MOHLTC.

Bloorview Kids Rehab

Notes to Financial Statements

March 31, 2010

9 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 across Canada. 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, 2010.

10 Change in investment management

Bloorview classifies its investments as available-for-sale. Accordingly, investments are reported at their fair value, unrealized gains and losses are recorded in net assets and realized amounts are recorded in the statement of revenues and expenses. During 2009, Bloorview changed investment managers, which resulted in the realization of net losses (due to the general financial market decline) and the presentation of those losses in the statement of revenues and expenses. Absent the change in investment managers, the losses would not have been realized and as a result would continue to be recorded as a change to net assets and the excess of revenues over expenses before amortization of building and building equipment and related deferred capital grants and donations would have been \$804,671.

11 Capital management

In managing capital, Bloorview focuses on liquid resources available for operations. Bloorview's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with flexibility to take advantage of opportunities that will advance its purposes while minimizing risk. In addition, the Hospital is required to achieve certain performance measures related to working capital set out in the Hospital Service Accountability Agreement. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to budget. As at March 31, 2010, Bloorview has met its objective of having sufficient liquid resources to meet its current obligations.

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.