

**Holland Bloorview Kids
Rehabilitation Hospital
Foundation**

Financial Statements
March 31, 2016



June 7, 2016

Independent Auditor's Report

To the Members of Holland Bloorview Kids Rehabilitation Hospital Foundation

We have audited the accompanying financial statements of Holland Bloorview Kids Rehabilitation Hospital Foundation, which comprise the statement of financial position as at March 31, 2016 and the statements of revenues, operating expenses, distributions and changes in fund balances and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Holland Bloorview Kids Rehabilitation Hospital Foundation as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Holland Bloorview Kids Rehabilitation Hospital Foundation

Statement of Financial Position

As at March 31, 2016

	2016 \$	2015 \$
Assets		
Current assets		
Cash	114,532	118,380
Accrued interest	398,671	419,418
Other receivables and prepaid expenses	67,613	302,159
	<u>580,816</u>	<u>839,957</u>
Investments (note 3)	96,911,597	100,966,884
Equipment - net of accumulated amortization of \$185,163 (2015 - \$179,762)	3,929	9,330
	<u>97,496,342</u>	<u>101,816,171</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 4)	151,871	217,742
Deferred revenue	68,314	61,310
Due to Holland Bloorview Kids Rehabilitation Hospital (note 5)	691,951	1,122,556
	<u>912,136</u>	<u>1,401,608</u>
Fund Balances		
Endowment Fund	85,563,338	87,614,978
Restricted Fund	4,400,864	3,942,438
General Fund	6,620,004	8,857,147
	<u>96,584,206</u>	<u>100,414,563</u>
	<u>97,496,342</u>	<u>101,816,171</u>
Commitments (note 7)		

Approved by the Board of Directors

_____ Director _____ Director

The accompanying notes are an integral part of these financial statements.

Holland Bloorview Kids Rehabilitation Hospital Foundation

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

For the year ended March 31, 2016

				2016	2015
	Endowment Fund \$	Restricted Fund \$	General Fund \$	Total \$	Total \$
Revenues					
Donation revenue	271,800	2,084,083	1,056,087	3,411,970	7,481,723
Special events	79,281	430,074	1,009,696	1,519,051	1,569,706
Bequests	-	6,659	22,772	29,431	93,146
	351,081	2,520,816	2,088,555	4,960,452	9,144,575
Investment income - net (note 3)	826,564	34,556	145,609	1,006,729	8,274,045
	1,177,645	2,555,372	2,234,164	5,967,181	17,418,620
Operating expenses					
Salaries and benefits	-	-	1,918,151	1,918,151	2,129,334
Administration	-	-	254,024	254,024	339,391
Fundraising activities	281	29,555	244,609	274,445	307,436
	281	29,555	2,416,784	2,446,620	2,776,161
Excess (deficiency) of revenues over operating expenses before distributions	1,177,364	2,525,817	(182,620)	3,520,561	14,642,459
Distributions Holland Bloorview Kids Rehabilitation Hospital (note 5)	2,782,876	1,952,243	2,615,799	7,350,918	7,293,487
Excess (deficiency) of revenues over operating expenses and distributions for the year	(1,605,512)	573,574	(2,798,419)	(3,830,357)	7,348,972
Fund balances - Beginning of year	87,614,978	3,942,438	8,857,147	100,414,563	93,065,591
Interfund transfers (note 6)	(446,128)	(115,148)	561,276	-	-
Fund balances - End of year	85,563,338	4,400,864	6,620,004	96,584,206	100,414,563

The accompanying notes are an integral part of these financial statements.

Holland Bloorview Kids Rehabilitation Hospital Foundation

Statement of Cash Flows

For the year ended March 31, 2016

	2016 \$	2015 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over operating expenses and distributions for the year	(3,830,357)	7,348,972
Items not involving cash		
Amortization of capital assets	5,401	15,870
Unrealized loss (gain) on investments	6,833,518	(1,655,208)
Net changes in non-cash working capital balances		
Accrued income on investments	20,747	(40,629)
Other receivables and prepaid expenses	234,546	(197,852)
Accounts payable and accrued liabilities	(65,871)	16,207
Deferred revenue	7,004	44,540
Due to Holland Bloorview Kids Rehabilitation Hospital	(430,605)	219,000
	<u>2,774,383</u>	<u>5,750,900</u>
Investing activities		
Investments - net	(2,778,231)	(7,079,626)
Additions to capital assets	-	(11,786)
	<u>(2,778,231)</u>	<u>(7,091,412)</u>
Decrease in cash during the year	(3,848)	(1,340,512)
Cash - Beginning of year	<u>118,380</u>	<u>1,458,892</u>
Cash - End of year	<u>114,532</u>	<u>118,380</u>

The accompanying notes are an integral part of these financial statements.

Holland Bloorview Kids Rehabilitation Hospital Foundation

Notes to Financial Statements

March 31, 2016

1 Nature of operations

Holland Bloorview Kids Rehabilitation Hospital Foundation (the Foundation) generates, manages and distributes funds and/or the income therefrom, for the primary benefit of Holland Bloorview Kids Rehabilitation Hospital (Holland Bloorview), Canada's largest children's rehabilitation hospital.

A world-class teaching hospital, Holland Bloorview trains future health-care specialists in the field of childhood disability, with an on-site research institute to integrate cutting edge research and teaching with frontline care, working to improve the quality of life for children and young adults with disabilities and long-term needs. In exceptional situations, and under Holland Bloorview's direction, the Foundation grants funds to other registered charities for purposes that promote the objectives of Holland Bloorview.

The Foundation is incorporated without share capital under the laws of the Province of Ontario and is registered as a charity under Section 149(1) of the Income Tax Act (Canada). While registered, the Foundation is exempt from income taxes and may issue tax deductible receipts to donors. Its registered charitable business number, issued by the Canada Revenue Agency, is 88932 6278 RR0001.

For additional information and contact details, please visit the Foundation's website at www.hollandbloorviewfoundation.ca.

2 Summary of significant accounting policies

The financial statements of the Foundation have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) (Part III of the Chartered Professional Accountants of Canada (CPA) Handbook) and include the significant accounting policies set forth below.

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

The 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, which is ten years or more. As a requirement of individual agreements or the Foundation's board approved endowment policy, an annual amount is added to the capital of the endowment over time equal to the price of inflation subject to Canada Revenue Agency disbursement and accumulation rules.

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- Restricted Fund

The 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 of directors.

- General Fund

The General Fund represents the Foundation's unrestricted revenue, which supports the programs, services, capital and research of Holland 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 minimum of ten years, in which case the contributions are recognized as revenue of the Endowment Fund. Fundraising event revenues are recognized in the respective fund in the year the events take place. Operating expenses are recorded in the General Fund unless they are incurred to raise restricted or endowed revenue. Pledges are recorded as donation revenue when the payments are received.

Investments and investment income

Investments, including investments denominated in a foreign currency, are recorded at fair value.

The Foundation is subject to market risk, foreign currency risk and interest rate price risk with respect to its investment portfolio. To manage these risks, the Foundation has policies and procedures that establish a target asset mix among investments. The Foundation's policies also require diversification of investments within categories and set limits on the exposure to individual investments.

Investment income represents interest, dividends and realized and unrealized gains and losses and is accrued as it is earned. Investment income and related expenses are recorded in the fund incurring the income and expense.

Equipment

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

The Foundation reviews equipment 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 fair value.

Holland Bloorview Kids Rehabilitation Hospital Foundation

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Donated services

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

Financial instruments

Investments in equity instruments that are quoted in an active market are recorded at fair value. The Foundation has elected to carry investments in corporate bonds, government bonds and treasury bills at fair value. Changes in fair value are recorded in the statement of revenues, operating expenses, distributions and changes in fund balances. Transaction costs related to such investments are expensed as incurred. Other financial instruments, including cash, accrued interest, other receivables and prepaid expenses, accounts payable and accrued liabilities and due to Holland Bloorview are measured at amortized cost and their carrying values approximate their fair values due to their short-term maturities.

Use of estimates

The preparation of financial statements in conformity with ASNPO 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

Components of the portfolio are as follows:

	2016		2015	
	Fair value \$	Cost \$	Fair value \$	Cost \$
Equities	39,097,721	36,738,031	41,415,826	33,198,541
Corporate bonds	16,584,592	16,574,076	21,678,413	21,119,396
Government bonds	30,698,803	30,342,351	27,443,629	26,655,054
Cash and treasury bills	10,530,481	10,515,215	10,429,016	10,418,728
	<u>96,911,597</u>	<u>94,169,673</u>	<u>100,966,884</u>	<u>91,391,719</u>

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The government and corporate bonds mature in the following calendar years:

	\$
2016	503,535
2017	4,191,798
2018	8,405,912
2019	1,193,438
2020	6,642,347
2021 and thereafter	26,346,365
	<u>47,283,395</u>

Investment income is made up of the following:

	2016 \$	2015 \$
Interest and dividends	2,531,159	2,447,884
Change in fair value	(1,098,875)	6,026,794
Investment fees	(425,555)	(200,633)
	<u>1,006,729</u>	<u>8,274,045</u>

4 Government remittances

As at year-end, the Foundation had remittances payable to the government of \$21,167 (2015 - \$23,331).

5 Related party transactions

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

The balance due to Holland Bloorview is unsecured, repayable on demand and bears no interest.

6 Interfund transfers

Interfund transfers represent an allocation of 0.5% from income earned on endowments and on restricted funds invested temporarily pursuant to donor agreements, plus 5% of all new donations received with donor restrictions regarding their designated use, transferred from the Endowment and Restricted Funds to the General Fund in accordance with Foundation policies.

7 Commitments

The board of directors has approved the fiscal 2016 Business Plan, which includes, as an objective, granting \$6,505,392 (2015 - \$6,007,698) to Holland Bloorview.

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8 Comparative figures

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