

Holland Bloorview Kids Rehabilitation Hospital

Financial Statements
March 31, 2011

June 1, 2011

Independent Auditor's Report

To the Members of Holland Bloorview Kids Rehabilitation Hospital

We have audited the accompanying financial statements of Holland Bloorview Kids Rehabilitation Hospital (Holland Bloorview), which comprise the statement of financial position as at March 31, 2011 and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Holland Bloorview as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Price Waterhouse Coopers LLP

Chartered Accountants, Licensed Public Accountants

Holland Bloorview Kids Rehabilitation Hospital

Statement of Financial Position

As at March 31, 2011

| | 2011 \$ | 2010 \$ |
|--|-------------|-------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 8,165,456 | 7,073,716 |
| Due from the Ministry of Health and Long-Term Care and Toronto Central Local Health Integration Network | 1,010,850 | 440,080 |
| Accounts receivable | 3,305,725 | 2,047,898 |
| Other assets | 430,878 | 382,099 |
| Due from related parties (note 6) | 421,513 | 361,735 |
| | <hr/> | <hr/> |
| | 13,334,422 | 10,305,528 |
| Investments | 29,476,812 | 22,814,715 |
| Property, plant and equipment (note 3) | 93,594,660 | 97,536,456 |
| | <hr/> | <hr/> |
| | 136,405,894 | 130,656,699 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 7,680,120 | 8,737,203 |
| Due to the Ministry of Health and Long-Term Care | 1,072,531 | 655,936 |
| Deferred contributions (note 4) | 498,474 | 527,454 |
| | <hr/> | <hr/> |
| | 9,251,125 | 9,920,593 |
| Deferred contributions (note 4) | 6,431,332 | 4,167,520 |
| Deferred capital grants and donations (note 5) | 88,872,309 | 91,424,059 |
| | <hr/> | <hr/> |
| | 104,554,766 | 105,512,172 |
| Net Assets | 31,851,128 | 25,144,527 |
| | <hr/> | <hr/> |
| | 136,405,894 | 130,656,699 |

Approved by the Board of Directors

_____ Director

_____ Director

Holland Bloorview Kids Rehabilitation Hospital

Statement of Revenues and Expenses

For the year ended March 31, 2011

| | 2011 \$ | 2010 \$ |
|---|------------------|-------------------|
| Revenues | | |
| Toronto Central Local Health Integration Network/Ministry of Health and Long-Term Care | 52,049,802 | 51,986,844 |
| Other operating grants | 3,463,434 | 3,261,479 |
| Client services and other | 12,895,269 | 12,372,071 |
| Foundation grants and donations | 4,076,913 | 3,985,012 |
| Investment income - net | 994,274 | 706,249 |
| Amortization of deferred capital grants and donations | 610,661 | 666,883 |
| | <hr/> 74,090,353 | <hr/> 72,978,538 |
| Expenses | | |
| Salaries and benefits | 55,405,337 | 57,570,013 |
| Supplies and other | 14,909,728 | 14,696,403 |
| Amortization of furniture and equipment | 1,945,505 | 1,839,894 |
| | <hr/> 72,260,570 | <hr/> 74,106,310 |
| Excess (deficiency) of revenues over expenses before undernoted items | 1,829,783 | (1,127,772) |
| Amortization of deferred capital grants and donations related to building and building equipment | 2,652,989 | 2,652,989 |
| Amortization of building and building equipment | (3,352,065) | (3,329,919) |
| Gain on sale of Buchan Court property (note 3) | 4,081,708 | - |
| Excess (deficiency) of revenues over expenses for the year | <hr/> 5,212,415 | <hr/> (1,804,702) |

Holland Bloorview Kids Rehabilitation Hospital

Statement of Changes in Net Assets

For the year ended March 31, 2011

| | | | | | 2011 | 2010 |
|--|--|------------------------------------|---|--------------------|-------------|-------------|
| | Investment in property, plant and equipment \$ | Restricted for endowments \$ | Restricted for property and building redevelopment \$ | Unrestricted \$ | Total \$ | Total \$ |
| Balance - Beginning of year | 15,891,505 | 1,765,763 | - | 7,487,259 | 25,144,527 | 23,427,065 |
| Excess (deficiency) of revenues over expenses before undernoted items | (1,379,984) | - | - | 3,209,767 | 1,829,783 | (1,127,772) |
| Gain on sale of Buchan Court property | - | - | 4,081,708 | - | 4,081,708 | - |
| Amortization of building and building equipment | (3,352,065) | - | - | - | (3,352,065) | (3,329,919) |
| Amortization of deferred capital grants and donations related to building and building equipment | 2,652,989 | - | - | - | 2,652,989 | 2,652,989 |
| Excess (deficiency) of revenues over expenses for the year | (2,079,060) | - | 4,081,708 | 3,209,767 | 5,212,415 | (1,804,702) |
| Unrealized gain on available-for-sale financial assets arising during the year | - | - | - | 1,467,743 | 1,467,743 | 3,502,508 |
| | (2,079,060) | - | 4,081,708 | 4,677,510 | 6,680,158 | 1,697,806 |
| Net purchase of property, plant and equipment | 1,400,914 | - | - | (1,400,914) | - | - |
| Amounts funded by deferred capital grants and donations | (445,349) | - | - | 445,349 | - | - |
| Net change in investment in property, plant and equipment | 955,565 | - | - | (955,565) | - | - |
| Contributions - net of expenses | - | 26,443 | - | - | 26,443 | 19,656 |
| Balance - End of year | 955,565 | 26,443 | - | (955,565) | 26,443 | 19,656 |
| | 14,768,010 | 1,792,206 | 4,081,708 | 11,209,204 | 31,851,128 | 25,144,527 |

Holland Bloorview Kids Rehabilitation Hospital

Statement of Cash Flows

For the year ended March 31, 2011

| | 2011 \$ | 2010 \$ |
|---|-------------------|-------------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Excess (deficiency) of revenues over expenses for the year | 5,212,415 | (1,804,702) |
| Items not affecting cash | | |
| Amortization of property, plant and equipment | 5,297,570 | 5,169,813 |
| Amortization of deferred capital grants and donations | (3,263,650) | (3,319,872) |
| Increase (decrease) in deferred contributions | 2,234,832 | (752,484) |
| | <hr/> 9,481,167 | <hr/> (707,245) |
| Change in non-cash working capital components | (2,577,642) | 1,777,493 |
| | <hr/> 6,903,525 | <hr/> 1,070,248 |
| Investing activities | | |
| Purchase of investments | (5,194,354) | (1,718,799) |
| Loss on disposal of property, plant and equipment | 45,140 | - |
| Purchase of property, plant and equipment | (1,400,914) | (1,409,759) |
| | <hr/> (6,550,128) | <hr/> (3,128,558) |
| Financing activities | | |
| Capital grants and donations received | 711,900 | 948,021 |
| Endowment contributions received - net of transfers | 26,443 | 19,656 |
| | <hr/> 738,343 | <hr/> 967,677 |
| Increase (decrease) in cash and cash equivalents during the year | 1,091,740 | (1,090,633) |
| Cash and cash equivalents - Beginning of year | 7,073,716 | 8,164,349 |
| Cash and cash equivalents - End of year | <hr/> 8,165,456 | <hr/> 7,073,716 |

Holland Bloorview Kids Rehabilitation Hospital

Notes to Financial Statements

March 31, 2011

1 Purpose of organization

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

Holland 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 Holland 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 Holland Bloorview Kids Rehabilitation Hospital Foundation (the Foundation), 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, Holland 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, 2011 and March 31, 2010.

Revenue recognition

Holland 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 deferred and recognized as revenue in the year in which the related expenses are incurred. 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% |

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In accordance with The Canadian Institute of Chartered Accountants (CICA) Handbook Section 3063, Holland 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.

Restricted net assets

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.

Late in fiscal 2011, the Holland Bloorview Board of Directors decided to internally restrict the net gain on the sale of a former property for the purpose of future acquisitions of property or building redevelopment.

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

Holland Bloorview benefits from the services of volunteers the fair value of which, although essential to the operations of Holland Bloorview, is not reflected in these financial statements.

Significant donated materials are recorded at their fair values.

Holland Bloorview Kids Rehabilitation Hospital

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New accounting pronouncements

In December 2010, the Canadian Accounting Standards Board issued a comprehensive set of accounting standards applicable to not-for-profit organizations. The standards are effective for fiscal years beginning on or after January 1, 2012 and require retrospective application, except for certain exemptions and exceptions contained within the standards. Early adoption of the standards is permitted. Holland Bloorview is currently considering the impact of the adoption of these standards.

3 Property, plant and equipment

| | 2011 | | |
|-------------------------|--------------------|--------------------|-------------------|
| | Cost | Accumulated | Net |
| | \$ | amortization | \$ |
| | | \$ | \$ |
| Land | 138,478 | - | 138,478 |
| Furniture and equipment | 23,771,314 | 16,465,948 | 7,305,366 |
| Building equipment | 17,582,356 | 5,765,682 | 11,816,674 |
| Building | 84,971,909 | 10,637,767 | 74,334,142 |
| | <u>126,464,057</u> | <u>32,869,397</u> | <u>93,594,660</u> |
| | | | 2010 |
| | Cost | Accumulated | Net |
| | \$ | amortization | \$ |
| | | \$ | \$ |
| Land | 138,478 | - | 138,478 |
| Furniture and equipment | 22,810,866 | 14,582,880 | 8,227,986 |
| Building equipment | 17,335,427 | 4,593,210 | 12,742,217 |
| Building | 84,885,948 | 8,458,173 | 76,427,775 |
| | <u>125,170,719</u> | <u>27,634,263</u> | <u>97,536,456</u> |

Building redevelopment

Holland 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 (2010 - \$713,376) in outstanding letters of credit as at March 31, 2011.

During the year ended March 31, 2005, Holland Bloorview sold the property located at 25 Buchan Court, Toronto. The agreement of purchase and sale included a purchase price adjustment based on the approved and constructed development on the site. Final payment of \$4,081,708, net of a commission, was received in fiscal 2011.

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Notes to Financial Statements

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4 Deferred contributions

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

| | 2011 \$ | 2010 \$ |
|---|--------------|--------------|
| Balance - Beginning of year | 4,694,974 | 5,447,458 |
| Add: Amounts received or receivable | 15,638,312 | 11,647,164 |
| Less: Amounts recognized as revenue in the year | (13,403,480) | (12,399,648) |
| | <hr/> | <hr/> |
| Balance - End of year | 6,929,806 | 4,694,974 |
| | <hr/> | <hr/> |
| Current | 498,474 | 527,454 |
| Long-term | 6,431,332 | 4,167,520 |
| | <hr/> | <hr/> |
| | 6,929,806 | 4,694,974 |
| | <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.

| | 2011 \$ | 2010 \$ |
|--|-------------|-------------|
| Deferred capital grants and donations - Beginning of year | 91,424,059 | 93,795,910 |
| Capital grants and donations received | 711,900 | 948,021 |
| Amortization of deferred capital grants and donations | (3,263,650) | (3,319,872) |
| | <hr/> | <hr/> |
| Deferred capital grants and donations - End of year | 88,872,309 | 91,424,059 |
| | <hr/> | <hr/> |
| Unamortized capital grants and donations used to purchase property, plant and equipment | 78,826,650 | 81,644,944 |
| Unspent contributions | 10,045,659 | 9,779,115 |
| | <hr/> | <hr/> |
| | 88,872,309 | 91,424,059 |
| | <hr/> | <hr/> |

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6 Related party transactions

The Foundation generates, manages and distributes funds and/or the income therefrom, for the primary benefit of Holland Bloorview. The Foundation holds investments in the amount of \$66,866,329 (2010 - \$60,682,677). During the year, the Foundation granted \$4,492,777 (2010 - \$4,669,695) to Holland Bloorview to fund programs and capital expenditures.

The balance due from the Foundation of \$421,513 (2010 - \$361,735) is comprised of grants payable and operating expenses paid by Holland Bloorview on behalf of the Foundation. 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 Holland 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 Holland Bloorview amounted to \$3,396,393 (2010 - \$3,543,772). 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, 2009 indicated the plan was fully funded on a solvency basis.

8 Centralized equipment pool

Holland 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 \$2,802,375 (2010 - \$2,640,733), with \$2,967,500 (2010 - \$2,833,675) of approved funding from the MOHLTC.

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, 2011.

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10 Capital management

In managing capital, Holland Bloorview focuses on liquid resources available for operations. Holland 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, 2011, Holland Bloorview has met its objective of having sufficient liquid resources to meet its current obligations.

11 Comparative figures

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