

# **Bloorview Kids Rehab**

Financial Statements

**March 31, 2009**

June 3, 2009

## **Auditors' Report**

### **To the Members of Bloorview Kids Rehab**

We have audited the balance sheet of **Bloorview Kids Rehab** (Bloorview) as at March 31, 2009 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, 2009 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

Balance Sheet

As at March 31, 2009

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	2009 \$	2008 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	8,164,349	5,757,716
Due from the Ministry of Health and Long-Term Care and Toronto Central Local Health Integration Network	1,242,393	1,314,961
Accounts receivable	2,049,074	2,415,363
Other assets	307,823	588,023
Due from related parties (note 7)	646,661	712,284
	<hr/>	<hr/>
	12,410,300	10,788,347
<b>Investments</b>	17,593,408	20,296,888
<b>Property, plant and equipment</b> (note 3)	101,296,510	104,578,706
	<hr/>	<hr/>
	131,300,218	135,663,941
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	7,915,322	7,579,948
Due to the Ministry of Health and Long-Term Care	714,463	618,525
Deferred contributions (note 4)	851,640	1,175,395
	<hr/>	<hr/>
	9,481,425	9,373,868
<b>Deferred contributions</b> (note 4)	4,595,818	4,047,801
<b>Deferred capital grants and donations</b> (note 5)	93,795,910	95,639,802
	<hr/>	<hr/>
	107,873,153	109,061,471
<b>Net Assets</b>	23,427,065	26,602,470
	<hr/>	<hr/>
	131,300,218	135,663,941
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Approved by the Board of Directors

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# Bloorview Kids Rehab

## Statement of Revenues and Expenses For the year ended March 31, 2009

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	2009 \$	2008 \$
<b>Revenues</b>		
Toronto Central Local Health Integration Network/Ministry of Health and Long-Term Care	51,333,643	48,886,550
Other operating grants	2,667,942	2,341,458
Client services and other	11,496,822	10,156,155
Foundation grants and donations	3,676,678	3,359,818
Investment income - net	801,729	1,133,811
Amortization of deferred capital grants and donations	684,001	758,007
	<hr/> 70,660,815	<hr/> 66,635,799
<b>Expenses</b>		
Salaries and benefits	54,362,438	50,871,709
Supplies and other	13,658,867	12,907,161
Amortization of furniture and equipment	1,834,839	1,782,771
Loss from change in investment management (note 11)	1,397,863	-
	<hr/> 71,254,007	<hr/> 65,561,641
<b>Excess (deficiency) of revenues over expenses before undernoted items</b>	(593,192)	1,074,158
<b>Amortization of deferred capital grants and donations related to building and building equipment</b>	2,656,200	2,707,512
<b>Amortization of building and building equipment</b>	<hr/> (3,293,518)	<hr/> (3,278,191)
<b>Excess (deficiency) of revenues over expenses for the year</b>	<hr/> (1,230,510)	<hr/> 503,479

# Bloorview Kids Rehab

## Statement of Changes in Net Assets For the year ended March 31, 2009

				2009	2008
	Investment in property, plant and equipment \$ (note 6)	Restricted for Endowments \$	Unrestricted \$	Total \$	Total \$
<b>Balance - Beginning of year</b>	17,096,547	1,719,987	7,785,936	26,602,470	24,513,546
Adjustment to beginning net asset balance on adoption of CICA Handbook Section 3855 - Financial Instruments	-	-	-	-	3,055,483
Adjusted balance - Beginning of year	17,096,547	1,719,987	7,785,936	26,602,470	27,569,029
Excess (deficiency) of revenues over expenses before undernoted items	(1,150,838)	-	557,646	(593,192)	1,074,158
Net amortization of building and building equipment and capital grants	(637,318)	-	-	(637,318)	(570,679)
Excess (deficiency) of revenues over expenses for the year	(1,788,156)	-	557,646	(1,230,510)	503,479
Reclassification adjustment for realized gain included in statement of revenues and expenses	-	(127,904)	(1,419,382)	(1,547,286)	(144,061)
Unrealized loss on available-for-sale financial assets arising during the year	-	(18,927)	(139,642)	(158,569)	(1,364,136)
	(1,788,156)	(146,831)	(1,001,378)	(2,936,365)	(1,004,718)
Net purchase of property, plant and equipment	1,846,161	-	(1,846,161)	-	-
Amounts funded by deferred capital grants and donations	(343,929)	-	343,929	-	-
Net change in investment in property, plant and equipment	1,502,232	-	(1,502,232)	-	-
Contributions - net	-	18,847	-	18,847	38,159
Investment loss on change in investment management (note 11)	-	(257,887)	-	(257,887)	-
	1,502,232	(239,040)	(1,502,232)	(239,040)	38,159
<b>Balance - End of year</b>	16,810,623	1,334,116	5,282,326	23,427,065	26,602,470

# Bloorview Kids Rehab

## Statement of Cash Flows

For the year ended March 31, 2009

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	2009 \$	2008 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenues over expenses for the year	(1,230,510)	503,479
Items not affecting cash		
Amortization of property, plant and equipment	5,128,357	5,060,962
Amortization of deferred capital grants and donations	(3,340,201)	(3,465,519)
Increase in deferred contributions	224,262	155,439
	<hr/>	<hr/>
	781,908	2,254,361
Change in non-cash working capital components	1,215,992	1,440,800
	<hr/>	<hr/>
	1,997,900	3,695,161
<b>Investing activities</b>		
Redemption (purchase) of investments - net	739,738	(979,619)
Purchase of property, plant and equipment - net	(1,846,161)	(2,445,303)
	<hr/>	<hr/>
	(1,106,423)	(3,424,922)
<b>Financing activities</b>		
Capital grants and donations received	1,496,309	2,176,218
Endowment contributions received - net of transfers	18,847	38,159
	<hr/>	<hr/>
	1,515,156	2,214,377
<b>Increase in cash during the year</b>	2,406,633	2,484,616
<b>Cash - Beginning of year</b>	5,757,716	3,273,100
	<hr/>	<hr/>
<b>Cash - End of year</b>	8,164,349	5,757,716
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<b>Supplementary information</b>		
Interest paid and capitalized as part of property, plant and equipment	-	-

# Bloorview Kids Rehab

Notes to Financial Statements

March 31, 2009

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## 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, Bloorview Childrens Hospital Foundation and Bloorview School Authority, which are separate entities.

### 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, 2008 and March 31, 2009.

### 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, 2009**

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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, 2009**

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## **New accounting pronouncements**

For financial statements relating to fiscal years beginning on or after October 1, 2007, specifically April 1, 2008 for Bloorview, Bloorview has adopted the following sections of the 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 Bloorview's disclosures (note 12), 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 the 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. Bloorview has chosen not to adopt these standards as management does not believe the additional disclosures would provide additional useful information to the 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 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 invested 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 is assessing the impact of these revisions and the timing of their adoption. However, the impact will be limited to reclassification of numbers in the financial statements and additional disclosures.

# Bloorview Kids Rehab

Notes to Financial Statements

March 31, 2009

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## 3 Property, plant and equipment

	<b>2009</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>
	\$	\$	\$
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
	<u>124,095,658</u>	<u>22,799,148</u>	<u>101,296,510</u>
			<b>2008</b>
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>
	\$	\$	\$
Land	138,478	-	138,478
Furniture and equipment	20,518,914	11,328,707	9,190,207
Building equipment	17,256,416	2,285,106	14,971,310
Building	84,421,530	4,142,819	80,278,711
	<u>122,335,338</u>	<u>17,756,632</u>	<u>104,578,706</u>

### Building redevelopment

Bloorview completed construction of its new state-of-the-art facility at a final cost of \$107 million. 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 in outstanding letters of credit as at March 31, 2009.

Included in property, plant and equipment and accounts payable and accrued liabilities are vendor holdbacks of approximately \$nil (2008 - \$78,676).

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. Due to the uncertainty of the purchase price adjustment, it has not been recorded in the current year.

# Bloorview Kids Rehab

Notes to Financial Statements

March 31, 2009

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## 4 Deferred contributions

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

	2009 \$	2008 \$
Balance - Beginning of year	5,223,196	5,067,757
Add: Amounts received or receivable	12,439,111	10,421,467
Less: Amounts recognized as revenue in the year	(12,214,849)	(10,266,028)
Balance - End of year	<u>5,447,458</u>	<u>5,223,196</u>
Current	851,640	1,175,395
Long-term	<u>4,595,818</u>	<u>4,047,801</u>
	<u>5,447,458</u>	<u>5,223,196</u>

## 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.

	2009 \$	2008 \$
Deferred capital grants and donations - Beginning of year	95,639,802	96,929,103
Capital grants and donations received	1,496,309	2,176,218
Amortization of deferred capital grants and donations	(3,340,201)	(3,465,519)
Deferred capital grants and donations - End of year	<u>93,795,910</u>	<u>95,639,802</u>
Unamortized capital grants and donations used to purchase property, plant and equipment	84,485,887	87,482,159
Unspent contributions	<u>9,310,023</u>	<u>8,157,643</u>
	<u>93,795,910</u>	<u>95,639,802</u>

## 6 Investment in property, plant and equipment

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

	2009 \$	2008 \$
Property, plant and equipment (note 3)	101,296,510	104,578,706
Amounts financed by deferred capital grants and donations (note 5)	(84,485,887)	(87,482,159)
	<u>16,810,623</u>	<u>17,096,547</u>

# Bloorview Kids Rehab

Notes to Financial Statements

March 31, 2009

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## 7 Related party transactions

Bloorview is related to two charitable foundations: Bloorview Childrens Hospital Foundation (BCHF) and Bloorview Kids Foundation (BKF). BCHF and BKF are collectively the Foundations.

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 \$35,483,935 (2008 market value - \$43,544,039). During the year, BCHF granted \$1,801,104 (2008 - \$1,603,725) 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, 2009 of \$22,932,831 (2008 - \$27,544,848). In addition, a separate endowment fund for Research Chairs within the Bloorview Research Institute was created with a balance of \$3,442,464 (2008 - \$4,279,969) as at March 31, 2009.

BKF receives, manages and distributes funds for the benefit of Bloorview. BKF holds investments in the amount of \$13,483,856 (2008 - \$15,743,442), the benefits of which are primarily to be used for activities at Bloorview. During the year, BKF granted \$3,425,766 (2008 - \$3,889,851) to Bloorview to fund programs and capital expenditures.

### Due from (to) related parties

	2009	2008
	\$	\$
Bloorview Kids Foundation	311,636	413,896
Bloorview Childrens Hospital Foundation	335,025	298,388
	<u>646,661</u>	<u>712,284</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.

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.

## 8 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 \$3,277,480 (2008 - \$3,047,037). 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 that the plan was fully funded on a solvency basis.

# **Bloorview Kids Rehab**

Notes to Financial Statements

**March 31, 2009**

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## **9 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 \$2,559,678 (2008 - \$2,510,100), with \$2,817,299 (2008 - \$2,785,488) of approved funding from the MOHLTC.

## **10 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, 2009.

## **11 Change in investment management**

Bloorview classifies its investments as available-for-sale. Accordingly, investments are reported at their fair market value, unrealized gains and losses are recorded in net assets and realized amounts are recorded in the statement of revenues and expenses. During the year, 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.

## **12 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 H-SAP. 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 the budget. As at March 31, 2009, Bloorview has met its objective of having sufficient liquid resources to meet its current obligations.

## **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.