

# **Holland Bloorview Kids Rehabilitation Hospital**

Financial Statements  
**March 31, 2012**



May 31, 2012

## **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, 2012 and the statements of revenues and expenses, changes in net assets 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 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.

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**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Holland Bloorview as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

**Chartered Accountants, Licensed Public Accountants**

# Holland Bloorview Kids Rehabilitation Hospital

## Statement of Financial Position

As at March 31, 2012

	2012 \$	2011 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	8,992,106	8,165,456
Due from the Ministry of Health and Long-Term Care and Toronto Central Local Health Integration Network	940,603	1,010,850
Accounts receivable	2,854,837	3,305,725
Other assets	364,215	430,878
Due from related parties (note 6)	1,106,189	421,513
	<hr/> 14,257,950	<hr/> 13,334,422
<b>Investments</b>	30,677,176	29,476,812
<b>Property, plant and equipment</b> (note 3)	91,091,831	93,594,660
	<hr/> 136,026,957	<hr/> 136,405,894
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	10,169,138	7,680,120
Due to the Ministry of Health and Long-Term Care	530,746	1,072,531
Deferred contributions (note 4)	477,384	498,474
	<hr/> 11,177,268	<hr/> 9,251,125
<b>Deferred contributions</b> (note 4)	6,929,663	6,431,332
<b>Deferred capital grants and donations</b> (note 5)	86,377,852	88,872,309
	<hr/> 104,484,783	<hr/> 104,554,766
<b>Net Assets</b>	31,542,174	31,851,128
	<hr/> 136,026,957	<hr/> 136,405,894

Approved by the Board of Directors

\_\_\_\_\_ Director \_\_\_\_\_ Director

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

# Holland Bloorview Kids Rehabilitation Hospital

## Statement of Revenues and Expenses

For the year ended March 31, 2012

	2012 \$	2011 \$
<b>Revenues</b>		
Toronto Central Local Health Integration Network / Ministry of Health and Long-Term Care	53,338,818	52,049,802
Client services and other	14,302,648	12,895,269
Foundation grants and donations	4,636,981	4,076,913
Other operating grants	3,908,632	3,463,434
Investment income - net	1,287,328	994,274
Amortization of deferred capital grants and donations	549,977	610,661
	<u>78,024,384</u>	<u>74,090,353</u>
<b>Expenses</b>		
Salaries and benefits	58,594,774	55,405,337
Supplies and other	17,172,846	14,909,728
Amortization of furniture and equipment	1,942,973	1,945,505
	<u>77,710,593</u>	<u>72,260,570</u>
<b>Excess of revenues over expenses before undernoted items</b>	313,791	1,829,783
<b>Amortization of deferred capital grants and donations related to building and building equipment</b>	2,616,173	2,652,989
<b>Amortization of building and building equipment</b>	(3,200,609)	(3,352,065)
<b>Gain on sale of Buchan Court property (note 3)</b>	-	4,081,708
<b>Excess (deficiency) of revenues over expenses for the year</b>	<u>(270,645)</u>	<u>5,212,415</u>

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

# Holland Bloorview Kids Rehabilitation Hospital

## Statement of Changes in Net Assets

For the year ended March 31, 2012

					2012	2011
	Investment in property, plant and equipment \$	Restricted for endowments \$	Restricted for property and building redevelopment \$	Unrestricted \$	Total \$	Total \$
<b>Balance - Beginning of year</b>	14,768,010	1,792,206	4,081,708	11,209,204	31,851,128	25,144,527
Excess (deficiency) of revenues over expenses before undernoted items	(1,392,996)	-	-	1,706,787	313,791	1,829,783
Gain on sale of Buchan Court property	-	-	-	-	-	4,081,708
Amortization of building and building equipment	(3,200,609)	-	-	-	(3,200,609)	(3,352,065)
Amortization of deferred capital grants and donations related to building and building equipment	2,616,173	-	-	-	2,616,173	2,652,989
Excess (deficiency) of revenues over expenses for the year	(1,977,432)	-	-	1,706,787	(270,645)	5,212,415
Unrealized gain (loss) on available-for-sale financial assets arising during the year	-	(3,048)	-	(62,559)	(65,607)	1,467,743
	(1,977,432)	(3,048)	-	1,644,228	(336,252)	6,680,158
Net purchase of property, plant and equipment	2,640,753	-	-	(2,640,753)	-	-
Amounts funded by deferred capital grants and donations	(677,588)	-	-	677,588	-	-
Net change in investment in property, plant and equipment	1,963,165	-	-	(1,963,165)	-	-
Contributions - net of expenses	-	27,298	-	-	27,298	26,443
	1,963,165	27,298	-	(1,963,165)	27,298	26,443
<b>Balance - End of year</b>	14,753,743	1,816,456	4,081,708	10,890,267	31,542,174	31,851,128

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

# Holland Bloorview Kids Rehabilitation Hospital

## Statement of Cash Flows

For the year ended March 31, 2012

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	2012 \$	2011 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenues over expenses for the year	(270,645)	5,212,415
Items not affecting cash		
Amortization of property, plant and equipment	5,143,582	5,297,570
Amortization of deferred capital grants and donations	(3,166,150)	(3,263,650)
Increase in deferred contributions	477,241	2,234,832
	<hr/>	<hr/>
	2,184,028	9,481,167
Change in non-cash working capital components	1,850,355	(2,577,642)
	<hr/>	<hr/>
	4,034,383	6,903,525
<b>Investing activities</b>		
Purchase of investments	(1,265,971)	(5,194,354)
Loss on disposal of property, plant and equipment	-	45,140
Purchase of property, plant and equipment	(2,640,753)	(1,400,914)
	<hr/>	<hr/>
	(3,906,724)	(6,550,128)
<b>Financing activities</b>		
Capital grants and donations received	671,693	711,900
Endowment contributions received - net of transfers	27,298	26,443
	<hr/>	<hr/>
	698,991	738,343
<b>Increase in cash and cash equivalents during the year</b>	826,650	1,091,740
<b>Cash and cash equivalents - Beginning of year</b>	8,165,456	7,073,716
	<hr/>	<hr/>
<b>Cash and cash equivalents - End of year</b>	8,992,106	8,165,456
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The accompanying notes are an integral part of these financial statements.

# Holland Bloorview Kids Rehabilitation Hospital

Notes to Financial Statements

March 31, 2012

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## 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 (Canada) 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 (Ontario) 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, 2012 and March 31, 2011.

### Revenue recognition

Holland Bloorview follows the deferral method of accounting for contributions. Operating grants are recorded as revenue in the year 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	5.0% - 20.0%
Building equipment	2.5% - 20.0%
Building	2.5% - 10.0%

# Holland Bloorview Kids Rehabilitation Hospital

## Notes to Financial Statements

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In accordance with The Canadian Institute of Chartered Accountants (CICA) Handbook Section 3063, Impairment of Long-lived Assets, 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 amount 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.

In 2011, the net gain on the sale of a former property was internally restricted for the purpose of future acquisitions of property or building redevelopment.

### **Use of estimates**

The preparation of the financial statements in accordance 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 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

## Notes to Financial Statements

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### 3 Property, plant and equipment

	<b>2012</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</b>	
Land	138,478	-	138,478
Furniture and equipment	25,323,583	17,924,677	7,398,906
Building equipment	17,670,485	6,771,076	10,899,409
Building	85,488,019	12,832,981	72,655,038
	<hr/> 128,620,565	<hr/> 37,528,734	<hr/> 91,091,831
			<hr/> <b>2011</b> <hr/>
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</b>	
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
	<hr/> 126,464,057	<hr/> 32,869,397	<hr/> 93,594,660

#### 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. The remaining \$3 million has not been accrued.

In connection with this redevelopment project, there was \$713,376 (2011 - \$713,376) in outstanding letters of credit as at March 31, 2012.

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.

# Holland Bloorview Kids Rehabilitation Hospital

## 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.

	2012 \$	2011 \$
Balance - Beginning of year	6,929,806	4,694,974
Add: Amounts received or receivable	15,761,111	15,638,312
Less: Amounts recognized as revenue in the year	(15,283,870)	(13,403,480)
Balance - End of year	<u>7,407,047</u>	<u>6,929,806</u>
Current	477,384	498,474
Long-term	<u>6,929,663</u>	<u>6,431,332</u>
	<u>7,407,047</u>	<u>6,929,806</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.

	2012 \$	2011 \$
Balance - Beginning of year	88,872,309	91,424,059
Add: Amount received	671,693	711,900
Less: Amounts recognized as revenue in the year	(3,166,150)	(3,263,650)
Balance - End of year	<u>86,377,852</u>	<u>88,872,309</u>
Unamortized capital grants and donations used to purchase property, plant and equipment	76,347,208	78,826,650
Unspent contributions	<u>10,030,644</u>	<u>10,045,659</u>
	<u>86,377,852</u>	<u>88,872,309</u>

# Holland Bloorview Kids Rehabilitation Hospital

## Notes to Financial Statements

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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 \$76,938,152 (2011 - \$66,866,329). During the year, the Foundation granted \$5,346,118 (2011 - \$4,492,777) to Holland Bloorview, of which \$4,790,228 was to fund programs and \$555,890 was for capital expenditures.

The balance due from the Foundation of \$1,106,189 (2011 - \$421,513) is composed 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 pension plan during the year by Holland Bloorview amounted to \$3,471,019 (2011 - \$3,396,393). These amounts are included in salaries and benefits expenses in the statement of revenues and expenses. The most recent actuarial valuation of the pension plan as at December 31, 2010 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 is expensed when prescribed. The amount charged to supplies and other expenses in the statement of revenues and expenses was \$3,473,266 (2011 - \$2,802,375), with \$3,471,900 (2011 - \$2,967,500) of approved funding from 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, 2012.

### 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

# Holland Bloorview Kids Rehabilitation Hospital

## Notes to Financial Statements

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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, 2012, 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 financial statement presentation.