

**Holland Bloorview Kids
Rehabilitation Hospital
Foundation**

Financial Statements

**March 31, 2013, March 31, 2012 and
April 1, 2011**



May 29, 2013

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 statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of revenues, operating expenses, distributions and changes in fund balances and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 audits. We conducted our audits 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

*PricewaterhouseCoopers LLP
North American Centre, 5700 Yonge Street, Suite 1900, North York, Ontario, Canada M2M 4K7
T: +1 416 218 1500, F: +1 416 218 1499*

PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Holland Bloorview Kids Rehabilitation Hospital Foundation

Statements of Financial Position

	March 31, 2013 \$	March 31, 2012 \$ (note 2)	April 1, 2011 \$ (note 2)
Assets			
Current assets			
Cash	1,316,109	159,004	1,075,862
Accrued interest	343,956	404,429	336,435
Other receivables and prepaid expenses	147,505	582,131	368,987
	<u>1,807,570</u>	<u>1,145,564</u>	<u>1,781,284</u>
Investments (note 3)	83,731,032	76,938,192	66,866,329
Equipment - net of accumulated amortization of \$148,095 (2012 - \$131,427)	24,793	13,685	10,615
	<u>85,563,395</u>	<u>78,097,441</u>	<u>68,658,228</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (note 4)	279,575	261,370	233,431
Deferred revenue	-	2,150	41,699
Due to Holland Bloorview Kids Rehabilitation Hospital (note 5)	931,421	1,106,189	421,513
	<u>1,210,996</u>	<u>1,369,709</u>	<u>696,643</u>
Fund Balances			
Endowment Fund	73,632,624	64,363,298	54,694,897
Restricted Fund	3,313,343	2,919,402	2,904,544
General Fund	7,406,432	9,445,032	10,362,144
	<u>84,352,399</u>	<u>76,727,732</u>	<u>67,961,585</u>
	<u>85,563,395</u>	<u>78,097,441</u>	<u>68,658,228</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

Statements of Revenues, Operating Expenses, Distributions and Changes in Fund Balances
For the years ended March 31, 2013 and March 31, 2012

				2013	2012
	Endowment Fund \$	Restricted Fund \$	General Fund \$	Total \$	Total \$
Revenues					
Donation revenue	6,606,081	2,039,025	971,639	9,616,745	12,416,838
Special events	28,435	386,565	1,084,623	1,499,623	1,679,216
Bequests	-	30,000	45,878	75,878	79,539
Realized investment income	2,772,408	18,406	299,189	3,090,003	6,531,088
	<u>9,406,924</u>	<u>2,473,996</u>	<u>2,401,329</u>	<u>14,282,249</u>	<u>20,706,681</u>
Operating expenses					
Salaries and benefits	-	-	1,886,274	1,886,274	1,756,351
Administration	218,358	1,394	655,283	875,035	590,826
Fundraising activities		21,008	708,885	729,893	277,358
	<u>218,358</u>	<u>22,402</u>	<u>3,250,442</u>	<u>3,491,202</u>	<u>2,624,535</u>
Excess (deficiency) of revenues over operating expenses before the undernoted items	<u>9,188,566</u>	<u>2,451,594</u>	<u>(849,113)</u>	<u>10,791,047</u>	<u>18,082,146</u>
Distributions					
Holland Bloorview Kids Rehabilitation Hospital (note 5)					
Capital	-	-	-	-	555,890
Programs, Research and Education	1,713,194	1,975,381	1,796,343	5,484,918	4,790,228
	<u>1,713,194</u>	<u>1,975,381</u>	<u>1,796,343</u>	<u>5,484,918</u>	<u>5,346,118</u>
Other external organizations	-	-	-	-	495,629
	<u>1,713,194</u>	<u>1,975,381</u>	<u>1,796,343</u>	<u>5,484,918</u>	<u>5,841,747</u>
Excess (deficiency) of revenues over operating expenses and distributions before the undernoted item	<u>7,475,372</u>	<u>476,213</u>	<u>(2,645,456)</u>	<u>5,306,129</u>	<u>12,240,399</u>
Unrealized gain (loss) on investments	<u>2,125,455</u>	<u>17,189</u>	<u>175,894</u>	<u>2,318,538</u>	<u>(3,474,252)</u>
Excess (deficiency) of revenues over operating expenses and distributions for the year	<u>9,600,827</u>	<u>493,402</u>	<u>(2,469,562)</u>	<u>7,624,667</u>	<u>8,766,147</u>
Fund balances - Beginning of year	<u>64,363,298</u>	<u>2,919,402</u>	<u>9,445,032</u>	<u>76,727,732</u>	<u>67,961,585</u>
Interfund transfers (note 6)	<u>(331,501)</u>	<u>(99,461)</u>	<u>430,962</u>	<u>-</u>	<u>-</u>
Fund balances - End of year	<u>73,632,624</u>	<u>3,313,343</u>	<u>7,406,432</u>	<u>84,352,399</u>	<u>76,727,732</u>

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

Holland Bloorview Kids Rehabilitation Hospital Foundation

Statements of Cash Flows

For the years ended March 31, 2013 and March 31, 2012

	2013 \$	2012 \$
Cash provided by (used in)		
Operating activities		
Excess of revenues over operating expenses and distributions for the year	7,624,667	8,766,147
Items not involving cash		
Amortization of capital assets	16,668	8,818
Increase (decrease) in accrued income on investments	60,473	(67,994)
Unrealized loss (gain) on investments	(2,318,538)	3,474,252
Net change in non-cash working capital balances		
Other receivables and prepaid expenses	434,626	(213,144)
Accounts payable and accrued liabilities	18,205	27,939
Deferred revenue	(2,150)	(39,549)
Due to Holland Bloorview Kids Rehabilitation Hospital	(174,768)	684,676
	<u>5,659,183</u>	<u>12,641,145</u>
Investing activities		
Investments - net	(4,474,302)	(13,546,115)
Additions to capital assets	(27,776)	(11,888)
	<u>(4,502,078)</u>	<u>(13,558,003)</u>
Increase (decrease) in cash during the year	1,157,105	(916,858)
Cash - Beginning of year	<u>159,004</u>	<u>1,075,862</u>
Cash - End of year	<u><u>1,316,109</u></u>	<u><u>159,004</u></u>

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

Holland Bloorview Kids Rehabilitation Hospital Foundation

Notes to Financial Statements

March 31, 2013, March 31, 2012 and April 1, 2011

1 Nature of operations, name change and amalgamation

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 objects 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. 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.

On June 30, 2009, Bloorview Childrens Hospital Foundation and Bloorview Kids Foundation, originally incorporated without share capital under the laws of the Province of Ontario on December 31, 1982 and on January 29, 1992, respectively, amalgamated to form the new Bloorview Kids Foundation. The Foundation changed its name to Holland Bloorview Kids Rehabilitation Hospital Foundation effective June 1, 2010.

2 Summary of significant accounting policies

The Foundation elected to adopt Canadian accounting standards for not-for-profit organizations (Part III of The Canadian Institute of Chartered Accountants (CICA) Handbook) (ASNPO) as issued by the Canadian Accounting Standards Board with a transition date of April 1, 2011. The accounting policies selected under this framework have been applied consistently and retrospectively as if these policies had always been in effect. The Foundation has elected to measure investments not quoted in the market at fair value on the adoption of ASNPO, a statement of cash flows has now been included to comply with these standards, and an opening balance has been added to the statement of financial position. There were no adjustments to the statements of revenues, operating expenses, distributions and changes in fund balances.

The financial statements of the Foundation have been prepared in accordance with ASNPO in Part III of the CICA 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.

Holland Bloorview Kids Rehabilitation Hospital Foundation

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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.

- 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.

As at March 31, 2013, the outstanding balance on all pledges was \$6,946,338, which is expected to be received over the next nine years.

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.

Holland Bloorview Kids Rehabilitation Hospital Foundation

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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.

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 statements 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:

	2013		2012	
	Fair value \$	Cost \$	Fair value \$	Cost \$
Equities	37,313,716	36,075,814	32,031,569	33,023,477
Corporate bonds	13,454,243	13,306,043	14,077,898	13,932,896
Government bonds	25,060,374	24,840,568	27,332,725	27,260,673
Cash and treasury bills	7,902,699	7,956,951	3,496,000	3,487,834
	<u>83,731,032</u>	<u>82,179,376</u>	<u>76,938,192</u>	<u>77,704,880</u>

Holland Bloorview Kids Rehabilitation Hospital Foundation

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

	\$
2013	1,729,994
2014	2,613,442
2015	7,206,301
2016	16,096,722
2017	5,567,719
2018 and thereafter	<u>5,300,439</u>
	<u>38,514,617</u>

4 Government remittances

As at year-end, the Foundation had remittances payable to the government of \$21,424 (2012 - \$19,952).

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 2014 Business Plan, which includes as an objective, granting \$5,101,635 to Holland Bloorview.