

Financial Statements of

**HOLLAND BLOORVIEW KIDS
REHABILITATION HOSPITAL
FOUNDATION**

Year ended March 31, 2018



KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

INDEPENDENT AUDITORS' 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, 2018, the statements of revenue, expenses, distributions and changes in fund balances and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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.



Page 2

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, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 30, 2018
Vaughan, Canada

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 153,982	\$ 380,327
Accrued interest	344,732	342,772
Fundraising and pledges receivable	298,285	422,389
Other receivables and prepaid expenses	89,235	127,515
	<u>886,234</u>	<u>1,273,003</u>
Investments (note 2)	98,749,352	99,801,213
Equipment, net of accumulated amortization of \$196,593 (2017 - \$191,818)	6,824	5,455
	<u>\$ 99,642,410</u>	<u>\$ 101,079,671</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 198,021	\$ 295,793
Deferred revenue	32,971	2,220
Due to Holland Bloorview Kids Rehabilitation Hospital (note 3)	1,068,079	1,479,769
	<u>1,299,071</u>	<u>1,777,782</u>
Fund balances:		
Endowment Fund	86,276,630	87,686,996
Restricted Fund	7,254,615	4,592,800
General Fund	4,812,094	7,022,093
	<u>98,343,339</u>	<u>99,301,889</u>
Commitments (note 5)		
	<u>\$ 99,642,410</u>	<u>\$ 101,079,671</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL FOUNDATION

Statement of Revenue, Expenses, Distributions and Changes in Fund Balances

Year ended March 31, 2018, with comparative information for 2017

				2018	2017
	Endowment Fund	Restricted Fund	General Fund	Total	Total
Revenue:					
Donation	\$ 197,664	\$ 5,504,001	\$ 1,253,846	\$ 6,955,511	\$ 4,363,637
Special events	68,849	187,119	1,555,427	1,811,395	2,367,471
Bequests	2,500	9,339	277,060	288,899	472,968
	269,013	5,700,459	3,086,333	9,055,805	7,204,076
Investment income, net	2,121,175	11,796	173,474	2,306,445	6,947,998
	2,390,188	5,712,255	3,259,807	11,362,250	14,152,074
Expenses:					
Salaries and benefits	–	–	2,300,414	2,300,414	2,322,012
Administration	–	–	289,836	289,836	285,117
Fundraising activities	7,966	8,817	406,537	423,320	424,600
	7,966	8,817	2,996,787	3,013,570	3,031,729
Excess of revenue over expenses before undernoted	2,382,222	5,703,438	263,020	8,348,680	11,120,345
Distributions:					
Holland Bloorview Kids Rehabilitation Hospital (note 3)	3,547,255	2,805,574	2,954,401	9,307,230	8,402,662
Excess (deficiency) of revenue over expenses	(1,165,033)	2,897,864	(2,691,381)	(958,550)	2,717,683
Fund balances, beginning of year	87,686,996	4,592,800	7,022,093	99,301,889	96,584,206
Interfund transfers (note 4)	(245,333)	(236,049)	481,382	–	–
Fund balances, end of year	\$ 86,276,630	\$ 7,254,615	\$ 4,812,094	\$ 98,343,339	\$ 99,301,889

See accompanying notes to financial statements.

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (958,550)	\$ 2,717,683
Items not affecting cash:		
Amortization of equipment	4,775	6,655
Unrealized loss (gain) on investments	345,851	(2,901,904)
Change in non-cash operating working capital:		
Accrued interest	(1,960)	55,899
Fundraising and pledges receivable	124,104	(416,189)
Other receivables and prepaid expenses	38,280	(66,102)
Accounts payable and accrued liabilities	(97,772)	143,922
Deferred revenue	30,751	(66,094)
Due to Holland Bloorview Kids Rehabilitation Hospital	(411,690)	787,818
	(926,211)	261,688
Investing activities:		
Investments, net	706,010	12,288
Additions to equipment	(6,144)	(8,181)
	699,866	4,107
Increase (decrease) in cash	(226,345)	265,795
Cash, beginning of year	380,327	114,532
Cash, end of year	\$ 153,982	\$ 380,327

See accompanying notes to financial statements.

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2018

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.

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.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook.

(a) 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

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

For financial reporting purposes, the accounts have been classified into the following funds:

(i) 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 10 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.

(ii) 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.

(iii) 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.

(b) Revenue and expense recognition:

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Donor-restricted contributions for specific purposes are recognized as revenue of the Restricted Fund in the year in which the contributions are received unless the capital is to be maintained for a minimum of 10 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.

Pledges made and collectible are recognized as revenue when the amount to be received can be reasonably estimated and collection is reasonably assured.

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

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.

Expenses are recorded in the General Fund unless they are incurred to raise restricted or endowed revenue.

(c) 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.

(d) Contributed services:

A number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to carry its financial investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

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 revenue, expenses, distributions and changes in fund balances. Transaction costs related to such investments are expensed as incurred.

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Investments:

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

	2018		2017	
	Fair value	Cost	Fair value	Cost
Equities	\$ 46,719,218	\$ 40,488,400	\$ 42,053,414	\$ 36,352,942
Corporate bonds	13,397,168	13,596,695	14,939,553	14,711,629
Government bonds	28,700,920	29,466,676	31,129,295	31,441,592
Cash and treasury bills	9,932,046	9,899,883	11,678,951	11,678,531
	<u>\$ 98,749,352</u>	<u>\$ 93,451,654</u>	<u>\$ 99,801,213</u>	<u>\$ 94,184,694</u>

The government and corporate bonds bear interest from 1.25% to 7.90% (2017 - 1.25% to 7.90%) with maturity dates ranging from April 2, 2018 to December 2, 2046 (2017 - June 6, 2017 to December 2, 2046).

The Foundation holds investments which are subject to market risk, foreign currency risk and interest rate risk. These risks will also impact future cash flow streams, including dividends, gains and losses and interest income.

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.

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

2019	\$ 3,835,751
2020	1,671,655
2021	3,016,110
2022	8,500,592
2023	3,706,114
Thereafter	21,367,866
	<u>\$ 42,098,088</u>

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

3. 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, is repayable on demand and bears no interest.

4. 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.

5. Commitments:

The Board of Directors has approved the fiscal 2018 Business Plan, which includes, as an objective, granting \$8,688,150 (2017 - \$7,340,848) to Holland Bloorview.