

2007 Financial Statements

Toronto Rehabilitation Institute | Toronto Rehabilitation Institute Foundation



Toronto Rehabilitation Institute

Management Discussion and Analysis

The intent of this analysis is to assist readers of these financial statements in assessing the hospital's financial position and operating results for the past year, and their relationship to the organization's strategic priorities of patient care, research, education and a focus on people.

Since its incorporation in 1998, Toronto Rehab's fiscal management has adhered to the principle of always living within the hospital's means. This entails preparing an annual operating plan with an associated breakeven budget and maintaining a positive working capital position. The hospital's working capital position has been consistently positive since 1998, and at March 31, 2007, was approximately \$5.9 million. Toronto Rehab views working capital as a contingency fund that allows the organization to respond to emerging capital priorities and special projects that will further Toronto Rehab's objectives and/or cover extraordinary operating pressures. The decrease of \$.9 million in working capital over the past year was the net result of an operating surplus of \$3.9 million (generated by one-time Ministry of Health and Long-Term Care ("MOHLTC") revenue and salary savings) less planned expenditures and appropriations of net assets as discussed below.

Toronto Rehab's cash position remains strong with almost \$19 million invested in short-term investments for operating requirements. Long-term investments include the funds being held for Board approved high priority capital and special projects that are identified each year as part of the operating plan process. The Board has placed an internal restriction on the net assets of the organization in anticipation of these future expenditures. As of March 31, 2007, the Board has restricted \$20.8 million of the hospital's net assets against high priority capital needs including:

- One-time capital costs associated with capital improvements relating to staff and patient safety and quality enhancements;
- a major information systems upgrade which will result in an electronic patient record by the year 2010;
- upgrades to rental housing owned by the hospital in the Parkdale community adjacent to the hospital grounds;
- high priority equipment;
- planned renovations to the Rumsey Centre;
- maintenance projects, including accessibility improvements across all sites; and
- exterior and infrastructure upgrades to the Queen Elizabeth and University Centres.

The remaining portion of Toronto Rehab's long-term investments represents: a \$9.7 million advance from the Province of Ontario to cover the planning and other related costs of the redevelopment of the University Centre as described later in this analysis; \$.6 million in construction advances for the hospital's major research project, iDAPT, including related support facilities; the long-term portion of accumulated unused employee sick time (\$1.7 million); and the unspent portion (\$.3 million) of a loan taken out in fiscal 2003 to finance the construction of the hospital's long-term care facility.

Programs and Services Activity

This past year marked the completion of the second year of Toronto Rehab’s 2005-2010 Strategic Plan. A notable component of this plan is a realignment of the Complex Continuing Care and Musculoskeletal Rehabilitation Programs to better meet the needs of patients who require highly specialized services.

These service changes are being driven by three key factors: the evolving care needs of patients; changes elsewhere in the health care system, for example, increased demand for community-based care; and the Government of Ontario’s health transformation agenda. The changes are also consistent with Toronto Rehab’s mandate as a teaching and research hospital.

Over the past 24 months, Toronto Rehab has transitioned its Complex Continuing Care (CCC) Program to two core services: complex medical services for individuals with complex (multiple diagnoses), chronic and often fluctuating physical conditions; and functional neurological services for adults with severe neurological impairments related to stroke, acquired brain injury, trauma and multiple sclerosis. During the past twelve months the organization focused on the development of a Low Tolerance, Long Duration program for clinically complex populations within the restructured CCC Program and on planning for a \$10 million refurbishment of the facility which will begin in the fall of 2007 with funding support from the MOHLTC and the Toronto Rehab Foundation.

Toronto Rehab continued to invest in its Musculoskeletal Rehabilitation Program (“MSK”) over the past fiscal year through an enhancement and expansion of inpatient and outpatient oncology, trauma and complex MSK services.

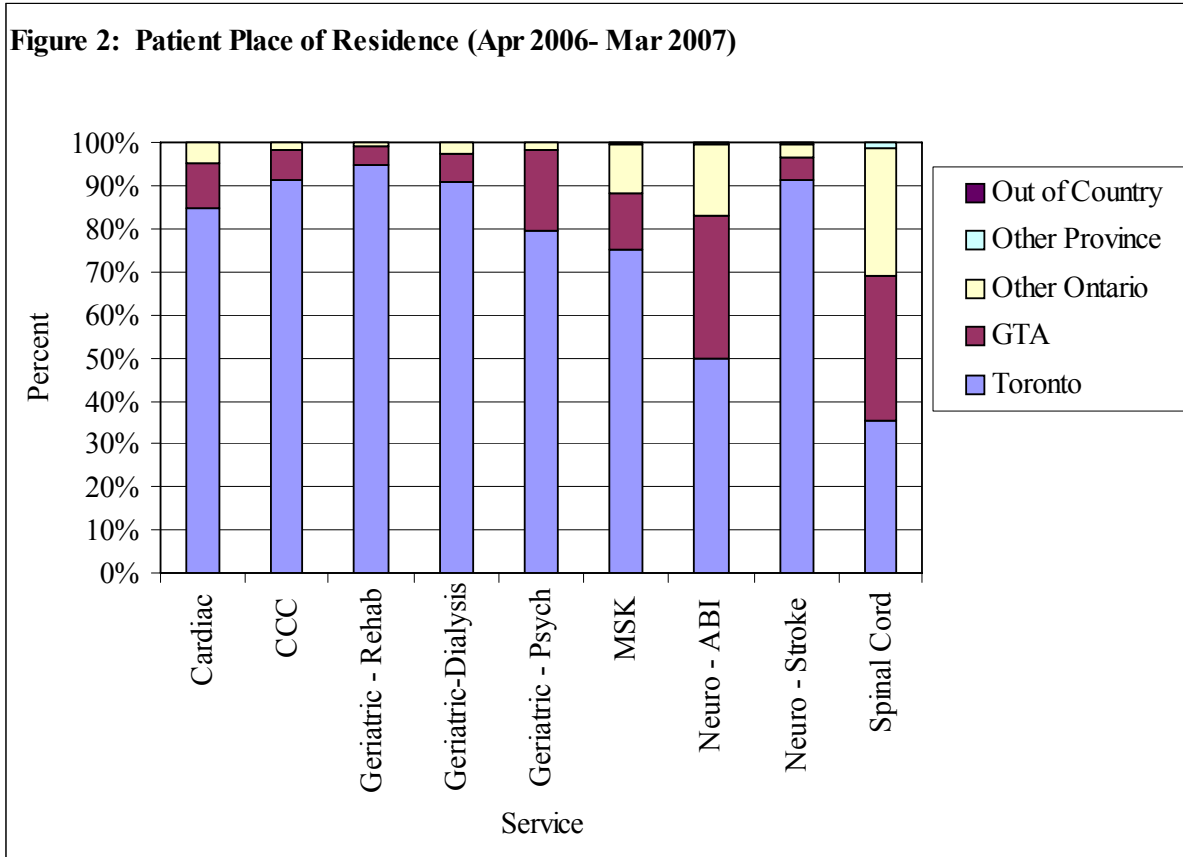
As of March 31, 2007, Toronto Rehab operated 575 inpatient beds. Of these, 224 are dedicated to complex continuing care, 223 beds are for rehabilitation and 128 are for long-term care.

The beds, occupancy rates and number of discharges by program in 2006/2007 (fiscal 2007) are highlighted in Figure 1.

Figure 1: Beds and Discharges by Program

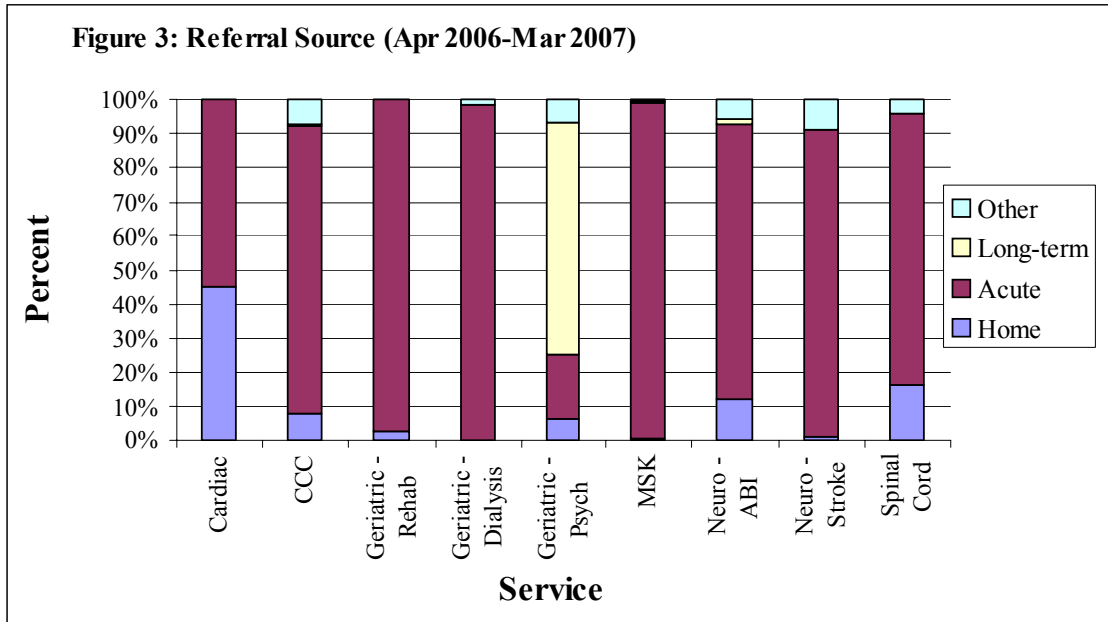
	Cardiac Rehab	Complex Continuing Care	Geriatric Rehab	Musculo-skeletal Rehab	Neuro Rehab	Spinal Cord Rehab	Long-Term Care	Total
Number of beds as of March 31, 2007	Outpatients only	224	48	60	55	60	128	575
Occupancy rate for the fiscal year (%)	N/A	92.4	81.6	84.6	90.1	91.1	98.7	91.7
Patients Discharged during the year	N/A	307	315	876	420	272	50	2,240

Figure 2 illustrates the geographic distribution of our CCC and rehabilitation patients by service, and shows the regional nature of the Neuro, Geriatric, Spinal Cord and MSK Rehabilitation programs. In the future, we anticipate an increase in patients from the GTA and beyond as our programs become more specialized and intensive in nature.



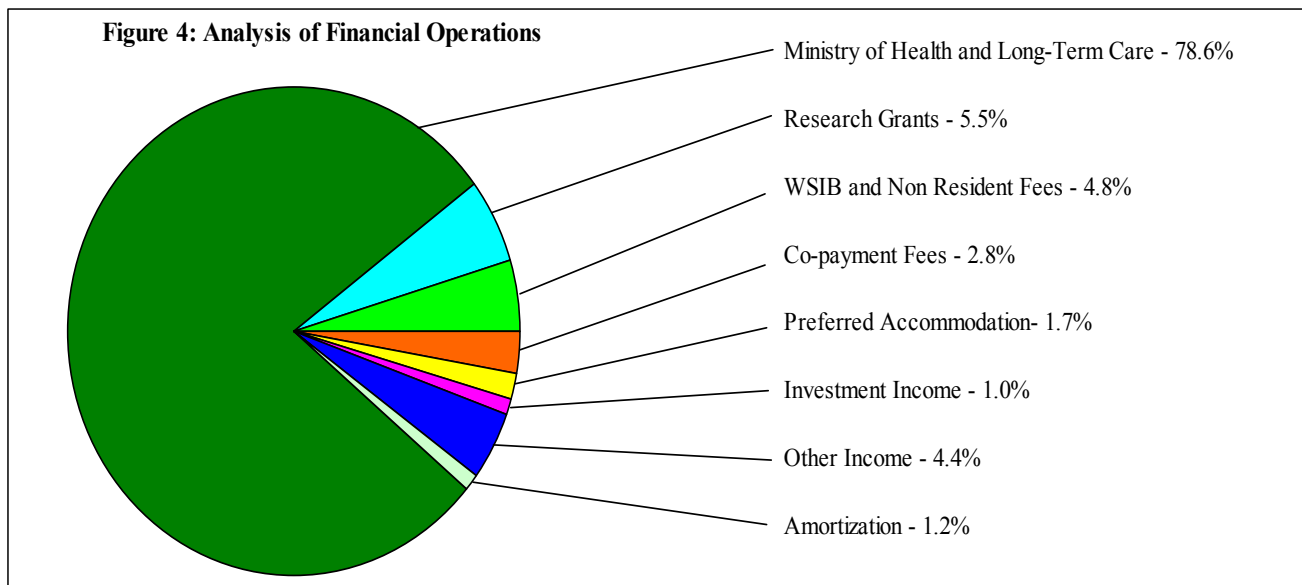
In total, 73.3 % (71.3% in fiscal 2006) of all inpatient admissions came from Toronto.

Figure 3 below indicates the referral sources for our CCC and rehabilitation patients. For all services other than Geriatric Psychiatry and the Cardiac Program, the majority of referrals (approximately 87% of all admissions) are from acute care hospitals. The Cardiac program has initiated a diabetes management service that has increased the number of home referrals by family physicians by 12% over last year.



Analysis of Financial Operations

Toronto Rehab's funding by revenue source is illustrated in Figure 4.



Approximately 79% (78% in fiscal 2006) of Toronto Rehab’s revenue comes from the MOHLTC. Ministry funding as a percentage of total revenues was up 1% over the previous year as a result of a decline in WSIB revenues. On a year over year basis, base funding from the MOHLTC increased by 3.0%.

The hospital also benefits from a close relationship with the Toronto Rehabilitation Institute Foundation (“Foundation”). The Foundation’s ongoing support of Toronto Rehab is focused on support for research programs and capital expenditures. During the year, the Foundation contributed approximately \$3.7 million in support of research chairs, the hospital’s share of major renovation and redevelopment projects, and other education and operating priorities. In January 2006, the Hospital signed its first Hospital Accountability Agreement (HAA) with the MOHLTC covering fiscal years 2005/06 and 2006/07. This contract with the MOHLTC, approved by the Board of Directors, formalizes agreed to performance indicators, including the goal of operating, at a minimum, on a breakeven basis. The agreement also sets out the obligations of the hospital and the MOHLTC, as well as the processes to be followed and the consequences for the hospital should it be unable to meet its HAA targets. The table below clearly shows that the hospital has met all but one of its performance targets set out in the HAA. For CCC weighted days, both the MOHLTC and Toronto Rehab have recognized that the Toronto Rehab HAA target has not been adjusted for the automatic annual recalibration of weights over the last three years. Had this been done, Toronto Rehab’s target would have been 83,650, and a 2.5% shortfall in weighted days from target would be reflected. This adjustment has been made for the fiscal 2007/08 HAA. In all cases, Toronto Rehab is well above the minimum thresholds for fiscal 2006/07. Toronto Rehab strongly supports this enhanced level of accountability between the MOHLTC and Ontario hospitals.

Summary of HAA Performance For Fiscal 2006/07

	Fiscal 2006/07 Performance Target	Yearend Actuals March 31, 2007	MOHLTC Minimum Threshold
Total Margin	0%	+3.35%	Cannot be below zero
Current Ratio	1.27	1.28	1.14
Percentage of FT Nurses	66.5%	69.9%	69.0% (based on provincial target of 70.0%)
Inpatient Rehab days	72,420	70,867	➤68,075
CCC Weighted days	87,570	81,597	➤80,564
Ambulatory Care Activity	74,480	88,549	➤59,584

Capital Renewal

On April 13, 2006, The Honourable David Caplan, Minister of Public Infrastructure Renewal, announced that the province had approved the construction phase of the redevelopment and expansion of University Centre. The Minister also announced that the project would be funded through ReNew Ontario, the Ontario government's five-year \$30 billion strategic infrastructure investment plan to modernize and replace many of the province's hospitals, schools and post-secondary institutions. The project will be financed through a new approach called Alternative Financing and Procurement (AFP). Project and construction contract management of this project will be the responsibility of Infrastructure Ontario ("IO"), a Crown Corporation, and the hospital. In the spring of 2007, the MOHLTC and IO announced that an Early Works project to complete the demolition of the South Tower of the University Centre had been approved in principle.

During the year, the hospital continued development of the iDAPT research facility (funded by the Canada Foundation for Innovation, Ontario Innovation Trust, Ministry of Economic Development and Trade and the Foundation) and additional research space funded by the Research Hospital Fund, Ontario Government and the Foundation. Together, this will represent a \$36 million investment in research facilities at Toronto Rehab by the year 2010. A \$5.6 million major upgrade of the Lyndhurst Centre, including expanded ambulatory facilities and research laboratories, was substantially completed as of March 31, 2007.

In summary, Toronto Rehab has been able to maintain a solid working capital position during the past year while achieving a \$3.9 million surplus and significantly restructuring the CCC and MSK programs. In addition, the hospital has provided for priority capital equipment needs related to patient and staff safety and the implementation of an electronic patient record.

Looking forward to 2007/08, Toronto Rehab will focus on the following key operating themes:

- 1) Enhancing patient safety and satisfaction in key priority areas,
- 2) Investigating, implementing and evaluating new models of service,
- 3) Continuing to build our research enterprise toward full capacity with a reduced dependency on single sources of government funding,
- 4) Developing and delivering innovative educational programming for patients and families, the general public, practicing professionals and students to increase patient and family satisfaction and awareness levels,
- 5) Continuing to develop and implement people strategies to retain and recruit people who will advance the goals of excellence,
- 6) Continuing to enhance information management and support systems and services consistent with the five-year Information Management strategic plan with the goal of achieving an electronic health record, and
- 7) Leveraging new and existing fundraising and development efforts to ensure implementation of and sustainability of our strategic directions

As in the past, Toronto Rehab is anticipating a breakeven budget for fiscal 2007/08 based on funding confirmed in the Hospital Accountability Agreement.

Mark Rochon
President and Chief Executive Officer

Jim Elliott
Vice President, Finance and Support Services

AUDITORS' REPORT

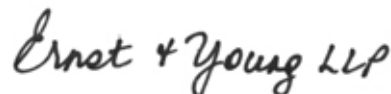
To the Members of
Toronto Rehabilitation Institute

We have audited the balance sheet of **Toronto Rehabilitation Institute** as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization'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 **Toronto Rehabilitation Institute** as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Corporations Act (Ontario), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Toronto, Canada,
May 18, 2007.



Chartered Accountants
Licensed Public Accountants

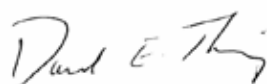
BALANCE SHEET

As at March 31

	2007	2006
	\$	\$
		[000's]
ASSETS		
Current		
Cash and cash equivalents	19,156	19,816
Accounts receivable <i>[note 3]</i>	6,182	6,924
Other	1,437	704
Total current assets	26,775	27,444
Long-term		
Investments <i>[note 4]</i>	33,139	30,981
Capital assets, net <i>[note 5]</i>	69,796	59,248
Total long-term assets	102,935	90,229
	129,710	117,673
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	19,299	19,498
Deferred research contributions <i>[note 6]</i>	1,554	1,195
Total current liabilities	20,853	20,693
Long-term		
Future employee benefits <i>[note 9]</i>	4,695	4,386
Loan payable <i>[note 13]</i>	14,833	15,084
Deferred capital contributions <i>[note 7]</i>	48,578	40,636
Other	1,657	1,672
Total long-term liabilities	69,763	61,778
Total liabilities	90,616	82,471
Net assets		
Invested in capital assets <i>[note 8]</i>	17,110	16,439
Internally restricted <i>[note 8]</i>	20,756	16,398
Unrestricted	1,228	2,365
Total net assets	39,094	35,202
	129,710	117,673

See accompanying notes

On behalf of the Board:



Director



Director

STATEMENT OF OPERATIONS

Year ended March 31

	2007	2006
	\$	\$
	[000's]	
REVENUE		
Ministry of Health and Long-Term Care	104,020	98,961
Research grants	7,295	7,081
WSIB and non-resident fees	6,396	7,280
Co-payment fees	3,651	3,849
Preferred accommodation fees	2,262	2,286
Investment income	1,275	937
Other income	5,775	5,418
Amortization of deferred contributions related to capital assets <i>[note 7]</i>	1,650	1,884
	132,324	127,696
EXPENSES		
Salaries, wages and purchased services	79,755	77,404
Employee benefits <i>[note 9]</i>	18,340	17,774
Medical staff remuneration	3,101	2,665
Patient care supplies	6,536	6,315
Building services and equipment supplies	7,907	6,228
General supplies	9,608	8,104
Amortization of capital assets	3,185	3,419
	128,432	121,909
Excess of revenue over expenses for the year	3,892	5,787

See accompanying notes

STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31

	2007				2006
	Invested in capital assets \$	Internally restricted \$	Unrestricted \$	Total \$	Total \$
			[000's]		
Balance, beginning of year	16,439	16,398	2,365	35,202	29,415
Excess of revenue over expenses for the year	—	—	3,892	3,892	5,787
Net change in net assets invested in capital assets [note 8[b]]	671	—	(671)	—	—
Interfund transfers [note 8[c]]	—	4,358	(4,358)	—	—
Balance, end of year	17,110	20,756	1,228	39,094	35,202

See accompanying notes

STATEMENT OF CASH FLOWS

Year ended March 31

	2007	2006
	\$	\$
	[000's]	
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	3,892	5,787
Add (deduct) non-cash items		
Amortization of capital assets	3,185	3,419
Amortization of deferred contributions	(1,650)	(1,884)
	5,427	7,322
Changes in non-cash working capital balances related to operations		
Accounts receivable	742	1,115
Other assets	(733)	128
Accounts payable and accrued liabilities	(199)	(5,780)
Deferred research contributions	359	(506)
Increase in future employee benefits	309	267
Cash provided by operating activities	5,905	2,546
FINANCING AND INVESTING ACTIVITIES		
Purchase of capital assets	(14,113)	(13,661)
Net increase in long-term investments	(2,158)	(12,844)
Contributions received for capital purposes	9,972	19,958
Loan repayments	(251)	(234)
Decrease in other long-term liabilities	(15)	(146)
Cash used in financing and investing activities	(6,565)	(6,927)
Net decrease in cash and cash equivalents during the year	(660)	(4,381)
Cash and cash equivalents, beginning of year	19,816	24,197
Cash and cash equivalents, end of year	19,156	19,816

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

1. PURPOSE

Toronto Rehabilitation Institute ["Toronto Rehab"] is a fully affiliated teaching hospital of the University of Toronto committed to leadership in patient care, research and education with special emphasis on tertiary level adult rehabilitation and complex continuing care.

Toronto Rehab operates at the following six sites:

- University Centre [550 University Avenue]
- Queen Elizabeth Centre [130 Dunn Avenue]
- Hillcrest Centre [47 Austin Terrace]
- Lyndhurst Centre [520 Sutherland Drive]
- Rumsey Centre [345-347 Rumsey Road]
- Lakeside Long Term Care Centre [150 Dunn Avenue]

Toronto Rehab is incorporated under the laws of Ontario and is a registered charity under the Income Tax Act (Canada) and, as such, is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The significant accounting policies are summarized as follows:

Revenue recognition

Toronto Rehab follows the deferral method of accounting for contributions, which include donations and government grants. 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. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Contributed materials and services

A substantial number of volunteers contribute a significant amount of their time to assist Toronto Rehab in carrying out important charitable aspects of its service delivery activities. The fair market value of these contributed services is not readily determinable and, as such, it is not reflected in the financial statements. As well, contributed materials are not reflected in these financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

Cash and cash equivalents

Cash and cash equivalents include cash on deposit and units in money market funds.

Investments

Investments are recorded at cost unless there has been an other than temporary impairment in value, in which case they are recorded at market value.

Employee benefit plans

Multi-employer pension plan

Contributions to a multi-employer pension plan are expensed when due.

Accrued post-employment benefits

Toronto Rehab accrues its obligations under non-pension employee benefit plans as employees render services. The cost of non-pension post-employment benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate assumptions. The excess of the cumulative balance of the net actuarial gain (loss) over 10% of the benefit obligation is amortized over the average remaining service period of active employees. Liabilities are discounted using current interest rates on long-term bonds.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution.

Capital assets are amortized on a straight-line basis using the following annual rates based on their estimated useful lives:

Buildings	2% - 2.5%
Building service equipment	4% - 10%
Other equipment	5% - 33%

Interest costs are capitalized during the construction period.

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates.

3. AFFILIATED ENTITIES

Toronto Rehabilitation Institute Foundation [the "Foundation"] and The Research Institute of the Queen Elizabeth Hospital, Toronto ["Research Institute"] are separate entities whose financial information is not consolidated in Toronto Rehab's financial statements and is reported separately.

Toronto Rehabilitation Institute Foundation

The Foundation, which is responsible for all fundraising activities carried out on behalf of Toronto Rehab, is a fundraising organization dedicated to supporting the rehabilitation needs and enhancing the quality of life of individuals with disabilities. This is accomplished by granting or using funds to support the mission of Toronto Rehab for the advancement of patient care, education and research.

The Foundation is a registered charity under the Income Tax Act (Canada) and, therefore, is exempt from income taxes.

A financial summary of the Foundation as at March 31 and for the year then ended is as follows:

	2007	2006
	\$	\$
	[000's]	
Investment income	2,530	3,610
Fundraising revenue	4,032	3,514
Gift from Research Institute	—	88
Expenses	(1,216)	(1,465)
Grants to Toronto Rehab	(3,720)	(4,065)
Excess of revenue over expenses and grants	1,626	1,682
Total assets	51,703	50,594
Total liabilities	(3,352)	(3,870)
Net assets	48,351	46,724

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

	2007 \$	2006 \$
		[000's]
Fund balances		
Endowment	9,422	8,056
Restricted	19,233	19,954
Unrestricted	19,696	18,714
Total fund balances	48,351	46,724

Grants to Toronto Rehab during the year were \$3,104,964 [2006 - \$3,666,749] for capital redevelopment, \$122,320 [2006 - \$118,584] for research, and the balance for various other activities.

Accounts receivable include an amount due from the Foundation of \$3,194,610 [2006 - \$3,768,377].

The Research Institute of the Queen Elizabeth Hospital, Toronto

The Research Institute is now inactive. The activities of the Research Institute were assumed by Toronto Rehab effective April 1, 2001.

A financial summary of the Research Institute as at March 31 and for the years then ended is as follows:

	2007 \$	2006 \$
	<i>[unaudited]</i>	
		[000's]
Total assets	109	231
Net assets	109	231
REVENUE		
Loss on sale/write-down of investment, net	(122)	(11)
Transfer of assets to the Foundation	—	(88)
Deficiency of revenue over expenses for the year	(122)	(99)
Net assets, beginning of year	231	330
Net assets, end of year	109	231

It is the intent of the Research Institute to transfer its net assets to the Foundation in the future.

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

4. INVESTMENTS

Investments consist of the following:

	2007	2006
	\$	\$
		[000's]
Cash and cash equivalents	4,233	10,450
Fixed term securities	28,906	20,531
	33,139	30,981

The amount recorded as long-term investments represents the assets held for unspent deferred capital contributions [note 7], unspent funds related to the construction loan [note 13], other long-term liabilities and internally restricted net assets [note 8].

Fixed term securities have a weighted average term to maturity of 90 days and a weighted average interest rate of 4.0%.

5. CAPITAL ASSETS

Capital assets consist of the following:

	2007			2006
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
				[000's]
Buildings	49,562	27,471	22,091	21,739
Building service equipment	14,541	8,239	6,302	6,648
Other equipment	32,917	23,973	8,944	7,762
Construction in progress	23,200	—	23,200	13,890
	120,220	59,683	60,537	50,039
Land	6,442	—	6,442	6,442
Land and buildings held for future development	2,817	—	2,817	2,767
	129,479	59,683	69,796	59,248

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

Land and buildings held for future development consist of properties in the vicinity of the Queen Elizabeth Centre of Toronto Rehab. No amortization is recorded on the buildings held for future development.

6. DEFERRED RESEARCH CONTRIBUTIONS

Deferred research contributions represent the unspent portion of research grants that will be recognized as revenue when the related expenses are incurred.

	2007	2006
	\$	\$
		[000's]
Balance, beginning of year	1,195	1,701
Additional contributions received during the year	3,531	2,383
Less amount recognized in revenue	(3,172)	(2,889)
Balance, end of year	1,554	1,195

7. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized and unspent amounts of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

	2007	2006
	\$	\$
		[000's]
Balance, beginning of year	40,636	22,562
Additional contributions received	9,972	19,958
Deferred capital contributions related to disposals	(380)	—
Less amount amortized into revenue	(1,650)	(1,884)
Balance, end of year	48,578	40,636

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

The balance of unamortized capital contributions related to capital assets consists of the following:

	2007	2006
	\$	\$
		[000's]
Unamortized capital contributions used to purchase capital assets	38,225	28,085
Unspent contributions	10,353	12,551
	48,578	40,636

8. NET ASSETS

[a] Net assets invested in capital assets is calculated as follows:

	2007	2006
	\$	\$
		[000's]
Capital assets, net	69,796	59,248
Amounts financed by		
Deferred capital contributions <i>[note 7]</i>	(38,225)	(28,085)
Long-term debt <i>[note 13]</i>	(14,461)	(14,724)
	17,110	16,439

[b] The net change in net assets invested in capital assets is calculated as follows:

	2007	2006
	\$	\$
		[000's]
Purchase of capital assets	14,113	13,662
Less amounts financed by deferred capital contributions	(12,170)	(12,736)
Loan repayments	251	234
Interest on unspent construction loan	12	8
Amortization of deferred capital contributions	1,650	1,884
Amortization of capital assets	(3,185)	(3,419)
	671	(367)

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

- [c] The Board of Directors periodically approves transfers to internally restricted net assets to set aside amounts for future projects. In fiscal 2007, \$7,455,000 [2006 - \$7,172,000], representing amounts set aside for future projects, was transferred from unrestricted to internally restricted net assets.

In the year in which expenses are incurred with respect to these projects, an amount is transferred from internally restricted to unrestricted net assets. In fiscal 2007, \$3,097,000 [2006 - \$1,412,000], representing amounts previously restricted by the Board of Directors, was transferred from internally restricted to unrestricted net assets.

9. EMPLOYEE BENEFIT PLANS

[a] Multi-employer pension plan

Substantially all of the employees of Toronto Rehab are eligible to be members of the Hospitals of Ontario Pension Plan ["HOOPP"], which is a multi-employer, defined benefit pension plan.

Toronto Rehab's contributions to HOOPP during the year amounted to \$5,596,714 [2006 - \$5,182,641] and are included in the statement of operations. The most recent regulatory funding valuation conducted as at December 31, 2005 disclosed actuarial assets of \$22,853 million with accrued pension liabilities of \$23,419 million, resulting in a deficit of \$566 million. This funding valuation also confirmed that the Plan is fully funded on a solvency basis.

[b] Accrued post-employment benefits

Toronto Rehab's non-pension post-employment benefit plans include extended health care and dental benefits for certain retired employees until the age of 65. The latest actuarial valuation for the non-pension post-retirement defined benefit plans was performed as of March 31, 2004. Toronto Rehab measures its accrued benefit obligation for accounting purposes as at March 31 of each year.

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

Information about Toronto Rehab's non-pension post-retirement defined benefit plans as at March 31 is as follows:

	2007	2006
	\$	\$
Accrued benefit obligation	(5,855,500)	(5,765,000)
Plan assets	—	—
Plan deficit	(5,855,500)	(5,765,000)
Unamortized past service cost	9,700	11,600
Unamortized net actuarial loss	1,150,500	1,367,100
Accrued benefit liability	(4,695,300)	(4,386,300)

The significant actuarial assumptions adopted in measuring Toronto Rehab's accrued benefit obligation and benefit expense are as follows:

	2007	2006
	%	%
Accrued benefit obligation		
Discount rate	5.25	5.25
Initial health care cost trend rate	6.60	6.95
Ultimate health care cost trend rate	4.50	4.50
Year ultimate rate reached	2015	2015
Dental care trend rate	4.50	4.50
Benefit expense		
Discount rate	5.25	5.75
Initial health care cost trend rate	6.95	7.30
Ultimate health care cost trend rate	4.50	4.50
Year ultimate rate reached	2015	2015
Dental care trend rate	4.50	4.50

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

Other information about the non-pension post-retirement defined benefit plans is as follows:

	2007	2006
	\$	\$
Expense	624,100	537,000
Employer contributions	315,100	269,000
Benefits paid	315,100	269,000

10. BANK LINES OF CREDIT

Toronto Rehab has an available operating credit line of \$1,500,000 and a lease credit line of \$1,000,000. The operating credit line is repayable on demand. The lease credit line is repayable in accordance with the terms and conditions of the respective lease agreements. The credit lines bear interest at the bank's prime lending rate.

11. LIABILITY INSURANCE

Toronto Rehab is a member of the Healthcare Insurance Reciprocal of Canada ["HIROC"]. HIROC is a pooling of the liability insurance risks of its members. All members of the pool pay annual deposit premiums which are actuarially determined and are expensed in the current year. These premiums are subject to further assessment for experience gains and losses, by the pool, for prior years. To March 31, 2007, no assessments have been received.

12. FUTURE AND ONGOING BUILDING REDEVELOPMENT

Toronto Rehab has approval from the Government of Ontario to proceed with the redevelopment of the University Centre facility. Renovations at Lyndhurst Centre, with a budget of approximately \$6 million, are 95% complete. The Foundation is engaged in a major fundraising campaign in support of these projects and the research objectives of Toronto Rehab. The Foundation has committed to allocate up to \$60.0 million to Toronto Rehab in support of these projects and research. The balance of the costs is expected to be funded by other sources including government research grants.

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

13. LONG-TERM DEBT

The construction of the long-term care facility was originally financed by a \$15,500,000 construction loan. In fiscal 2007, the loan was converted into two loans: an equity loan of \$1,300,000 with a maturity date in 2029, bearing interest at 6.9% and blended monthly payments of principal and interest of \$9,166; and a \$14,200,000 loan with two agreements being amortized over periods ending in 2024 and 2034, bearing interest at a rate of 7.4% and blended monthly payments of principal and interest of \$103,922 to 2024 and \$63,626 to 2034. For the \$1,300,000 loan, Toronto Rehab has pledged its assets as security. For the \$14,200,000 mortgage, the following have been pledged as security: a debenture on a leasehold interest on the land related to the facility, an assignment of funds payable by the Ontario Ministry of Health and Long-Term Care [the "MOHLTC"] for funding for construction and operation of the facility, an assignment of any insurance proceeds related to the facility, and all related buildings and equipment.

Principal repayments are as follows:

	\$
	[000's]
2008	271
2009	291
2010	314
2011	337
2012	358
Thereafter	13,262
	<hr/> 14,833

There are unspent funds of \$372,914 [2006 - \$360,497] which are invested in long-term investments [note 4].

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

14. CONTINGENCIES

Toronto Rehab is subject to various claims and potential claims. Where the potential liability is determinable, management believes that the ultimate disposition of the matters will not materially exceed the amounts recorded in the accounts. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the year during which the liability is determinable or adjustments to the amount recorded are determined to be required.

15. FINANCIAL INSTRUMENTS

The carrying values of financial instruments are not significantly different from their fair values unless otherwise indicated. Toronto Rehab is subject to interest rate risk with respect to its fixed term securities.

16. ACCOUNTABILITY AGREEMENT WITH MOHLTC

Toronto Rehab has entered into an agreement with the MOHLTC, the Hospital Accountability Agreement [the "HAA"], that sets out the rights and obligations of the two parties to the HAA in respect of funding provided to Toronto Rehab by the MOHLTC for fiscal 2007. The HAA sets out the funding provided to Toronto Rehab together with the performance standards and obligations of Toronto Rehab that establish acceptable ranges for Toronto Rehab's performance in a number of areas.

If Toronto Rehab does not meet its performance standards or obligations, the MOHLTC has the right to adjust funding received by Toronto Rehab. The MOHLTC is not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after the completion of the financial statements, the amount of MOHLTC funding received by Toronto Rehab during the year may be increased or decreased subsequent to year end. Toronto Rehab has recorded its best estimate of the amount of revenue related to MOHLTC funding that has been earned during the year.

17. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2007 financial statements.

Toronto Rehabilitation Institute Foundation

Management Discussion and Analysis

This analysis is intended to provide the reader of the Financial Statements of Toronto Rehabilitation Institute Foundation (“Foundation”) with additional insight and perspective on the financial position and operations of the Foundation.

The Foundation is dedicated to supporting the rehabilitation needs and enhancing the quality of life of individuals with disabilities by raising, granting and providing stewardship of funds to support the mission of the Toronto Rehabilitation Institute (“Toronto Rehab”). The Foundation as it exists today arose from the amalgamation of the former Rehabilitation Institute of Toronto Foundation with the Lyndhurst Hospital Foundation in 1999. The amalgamation of the foundations followed the formation of Toronto Rehab in the previous year.

The Foundation’s *Everything Humanly Possible: Campaign for Toronto Rehab* is raising \$60 million in support of Toronto Rehab’s redevelopment of the University and Lyndhurst Centres and its major focus in research. The first phase of this campaign raised \$32 million, and as of March 31, 2007, \$16 million remains to be raised from the second and final phase of the campaign.

Grants are made to Toronto Rehab in support of the hospital’s patient care, research and education programs. For the most recent year, \$3.7 million was awarded in grants to Toronto Rehab including support for the holder of a research chair (\$.1 million), facility redevelopment (\$3.1 million) and other purposes (\$.5 million).

Over 99% of the \$51 million in funds held by the Foundation are managed by McLean Budden, a well regarded firm of professional portfolio managers. The net investment return for the most recent year was approximately 5.0% (2005 – 8.2%). The funds associated with the capital campaign have been invested in a short term money market fund throughout the year in anticipation of completing a formal “local share” plan with the Ministry of Health and Long-Term care in July 2007 which will determine the timing and final amount required to support the University Centre Redevelopment project.

The \$9.4 million in endowed funds of the Foundation reflect legacy endowments, the establishment of over \$5.0 million in endowed research chairs over the past five years and receipt of a \$1.0 million endowment during the past year. The legacy and endowed research chair endowments were achieved through a combination of donations and board designations of unrestricted and restricted funds.

In fiscal 2006/07, donations totaled approximately \$ 4.0 million. Of this amount, \$2.7 million (\$6.3 million on a pledge basis) was received for the *Everything Humanly Possible: Campaign for Toronto Rehab* fund and \$1.3 million for the *Gift of Hope* annual fund (including \$584,000 in net proceeds from special events).

Operating expenses were effectively managed throughout the year, amounting to approximately 18.5% (down from 20.3 % in 2005/06) of donations and investment income for the year

In summary, the Foundation is financially sound and enjoying strong growth through prudent investment management and fundraising success. Looking to the coming year, the Foundation has targeted to raise an additional \$4.0 million in cash and pledges for the *Campaign for Toronto Rehab* and \$2.0 million for the Annual Fund. With \$16 million of the Foundation campaign goal of \$60 million yet to be raised as of March 31, 2007; management is confident that the Phase II goal of \$28 million will be achieved in the coming year.

Sheila Hicks
President

Jim Elliott
Vice President, Finance & Support Services

AUDITORS' REPORT

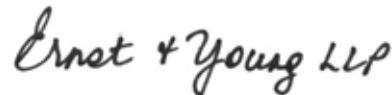
To the Members of the
Toronto Rehabilitation Institute Foundation

We have audited the balance sheet of the **Toronto Rehabilitation Institute Foundation** as at March 31, 2007 and the statement of operations and changes in fund balances for the year then ended. These financial statements are the responsibility of the Foundation'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 the Foundation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Corporations Act (Ontario), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Toronto, Canada,
May 18, 2007.



Chartered Accountants
Licensed Public Accountants

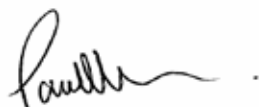
BALANCE SHEET

As at March 31

	2007 \$	2006 \$
ASSETS		
Cash	291,390	886,404
Investments [note 3]	51,131,816	49,575,409
Other	279,445	132,393
	51,702,651	50,594,206
LIABILITIES AND FUND BALANCES		
Liabilities		
Accrued liabilities	123,372	101,676
Deferred revenue	34,100	—
Due to Toronto Rehabilitation Institute [notes 9 and 12]	3,194,610	3,768,377
Total liabilities	3,352,082	3,870,053
Fund balances		
Unrestricted [note 3]	19,695,424	18,714,034
Restricted [note 4]	19,232,947	19,954,127
Endowment [note 5]	9,422,198	8,055,992
Total fund balances	48,350,569	46,724,153
	51,702,651	50,594,206

See accompanying notes

On behalf of the Board:



Director



Director

Toronto Rehabilitation Institute Foundation

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

Year ended March 31

	Unrestricted Fund		Restricted Fund		Endowment Fund		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE								
Donations <i>[note 7]</i>	352,434	524,385	2,345,805	2,418,697	750,000	—	3,448,239	2,943,082
Gift from The Research Institute of the Queen Elizabeth Hospital, Toronto	—	88,460	—	—	—	—	—	88,460
Special events, net <i>[note 8]</i>	432,721	501,610	151,352	69,096	—	—	584,073	570,706
Investment income, net <i>[notes 3 and 5]</i>	1,044,794	1,597,454	1,356,672	1,919,375	128,587	92,872	2,530,053	3,609,701
	1,829,949	2,711,909	3,853,829	4,407,168	878,587	92,872	6,562,365	7,211,949
EXPENSES								
Salaries and benefits	443,112	418,630	490,435	473,706	—	—	933,547	892,336
Other	146,505	122,785	136,293	449,678	—	—	282,798	572,463
	589,617	541,415	626,728	923,384	—	—	1,216,345	1,464,799
Excess of revenue over expenses before grants	1,240,332	2,170,494	3,227,101	3,483,784	878,587	92,872	5,346,020	5,747,150
Grants - Toronto Rehabilitation Institute	—	(1,300)	(3,719,604)	(4,063,861)	—	—	(3,719,604)	(4,065,161)
Excess (deficiency) of revenue over expenses and grants for the year	1,240,332	2,169,194	(492,503)	(580,077)	878,587	92,872	1,626,416	1,681,989
Fund balances, beginning of year	18,714,034	16,924,013	19,954,127	20,520,645	8,055,992	7,597,506	46,724,153	45,042,164
Interfund transfers <i>[note 6]</i>	(258,942)	(379,173)	(228,677)	13,559	487,619	365,614	—	—
Fund balances, end of year	19,695,424	18,714,034	19,232,947	19,954,127	9,422,198	8,055,992	48,350,569	46,724,153

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

1. PURPOSE

Toronto Rehabilitation Institute Foundation [the "Foundation"] is a fundraising organization dedicated to supporting the rehabilitation needs and enhancing the quality of life of individuals with disabilities. This is accomplished by granting or using funds to support the mission of Toronto Rehabilitation Institute ["Toronto Rehab"] for the advancement of patient care, education and research.

The Foundation is a registered charity under the Income Tax Act (Canada) and, therefore, is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Foundation have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

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 purposes for which they were provided. Transfers between the funds are made when it is considered appropriate and authorized by the Board of Directors [the "Board"]. These interfund transfers are recorded as a component of changes in fund balances.

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

[a] Restricted Fund

The Restricted Fund reports, as revenue, resources that are to be used for specific purposes as specified by the donor. The Restricted Fund reports, as expenses and grants, the use of resources restricted by donors or the Board for specified purposes.

[b] Endowment Fund

The Endowment Fund reports resources that are required by donors or the Board to be maintained by the Foundation on a permanent basis. Revenue of the Endowment Fund is limited to amounts that have been restricted for endowment purposes by the external contributor. Amounts restricted by the Board with the intention that they be maintained by the Foundation on a permanent basis are recorded as interfund transfers to the Endowment Fund.

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

[c] Unrestricted Fund

The Unrestricted Fund accounts for the other revenue and expenses of the Foundation. The Unrestricted Fund reports unrestricted resources available for immediate purposes.

Revenue recognition

Donor-restricted contributions for endowment purposes are recognized as revenue of the Endowment Fund. Other donor-restricted contributions are recognized as revenue of the Restricted Fund. Unrestricted contributions are recognized as revenue of the Unrestricted Fund. Donations are recognized as revenue when received since pledges are not legally enforceable claims.

Investments and investment income

Investments are recorded at market value. Investment income is recorded net of investment expenses. Investment income earned on Restricted Fund and Endowment Fund resources that must be spent on donor-restricted activities is recognized as revenue of the Restricted Fund. Investment income subject to restrictions stipulating that it be added to the principal amount of the endowment is recognized as revenue of the Endowment Fund. Unrestricted investment income earned on Unrestricted Fund, Restricted Fund and Endowment Fund resources is recognized as revenue of the Unrestricted Fund.

Contributed goods and services

Contributed capital assets that are transferred to Toronto Rehab are recognized at their fair market value in the financial statements. Other contributed goods and services are not recognized.

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

3. INVESTMENTS

The Foundation holds units in pooled funds. The effective asset mix of the portfolio, at market value, is as follows:

	2007	2006
	\$	\$
Short-term investments	38,997,828	38,432,069
Bonds	6,391,629	5,590,940
Canadian equities	3,339,097	3,336,903
Foreign equities	2,403,262	2,215,497
	51,131,816	49,575,409

Short-term investments are held primarily for unrestricted funds, externally restricted funds held for capital purposes and amounts due to Toronto Rehab.

Investment income of \$2,530,053 [2006 - \$3,609,701] represents realized gains (losses) and the change in unrealized gains (losses) net of custodial and investment counselling fees of \$154,811 [2006 - \$150,105].

4. RESTRICTED FUND

The Restricted Fund includes funds held for the following purposes:

	2007	2006
	\$	\$
Externally restricted		
Capital purposes <i>[note 3]</i>	15,474,422	16,898,508
Other purposes	2,815,634	2,416,867
	18,290,056	19,315,375
Internally restricted for grants	942,891	638,752
	19,232,947	19,954,127

Externally restricted - capital purposes

The funds restricted for capital purposes are targeted for the redevelopment of the University and Lyndhurst Centres and the research objectives of Toronto Rehab.

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

5. ENDOWMENT FUND

[a] The Endowment Fund comprises the resources that are required by the donor or the Board to be maintained by the Foundation on a permanent basis. The Board has a policy to transfer certain donations to the Endowment Fund where there is no current intention of making the original donation available for spending.

[b] The Endowment Fund consists of the following:

	2007	2006
	\$	\$
Donor-designated	4,125,959	2,997,372
Board-designated		
Unrestricted funds	2,318,886	2,203,742
Restricted funds	2,977,353	2,854,878
	9,422,198	8,055,992

Included in donor-designated funds is \$2,478,178 [2006 - \$2,376,237] held as a research chair supporting the research program at Toronto Rehab. The Board-designated restricted funds represent additional funds held as research chairs at the Board's direction.

In addition, during 2001, the Foundation and the University of Toronto [the "University"] each contributed \$1.5 million to establish The Toronto Rehabilitation Institute Chair. The University is responsible for managing this endowment with the intent that the capital value be maintained in perpetuity. These funds are recorded in the financial statements of the University. The annual income from this endowment is to be made available to support the holder of the Chair. The market value of the original \$3.0 million endowment was approximately \$3.2 million as at April 30, 2006.

[c] Investment income is allocated among the funds based on the Foundation's Endowment Fund Policy. This policy has the objective of protecting the real value of the endowments over time by limiting the amount of income made available for spending and requiring the reinvestment of income in excess of the payout rate. The policy establishes a payout rate that is currently 5% of the average value of each fund.

The preservation of capital [i.e. any excess investment income earned above the payout rate] is recorded as revenue of the Endowment Fund for donor-designated funds. For Board-designated unrestricted funds, the preservation of capital is recorded as income of the Unrestricted Fund and transferred to the Endowment Fund in the statement of operations and changes in fund balances. For Board-designated restricted funds, the preservation of capital is recorded as income of the Restricted Fund and transferred to the Endowment Fund in the

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

statement of operations and changes in fund balances. In any year, should net investment income not be sufficient to fund the payout calculated in accordance with the Foundation's policy, endowment capital is transferred to the Restricted Fund. This amount is expected to be recovered by future net investment income.

- [d] In 2007, investment income of \$346,035 [2006 - \$251,421] was allocated for the preservation of capital. Of this amount, \$128,587 [2006 - \$92,872] related to donor-designated funds was recorded as investment income in the Endowment Fund. Capital preservation of \$94,973 [2006 - \$70,092], related to Board-designated unrestricted funds, was recorded as income in the Unrestricted Fund and then transferred to the Endowment Fund. Capital preservation of \$122,474 [2006 - \$88,456], related to Board-designated restricted funds, was recorded as income in the Restricted Fund and then transferred to the Endowment Fund.
- [e] The amount made available for spending related to donor-designated endowments of \$178,388 [2006 - \$144,253] is recorded as Restricted Fund revenue. The amount made available for spending on Board-designated endowments was \$312,391 [2006 - \$243,349], of which \$143,797 [2006 - \$102,015] related to Board-designated unrestricted funds is recorded as revenue in the Unrestricted Fund and transferred to the Restricted Fund.
- [f] An amount of \$20,172 [2006 - \$207,066] was transferred from the Unrestricted Fund to the Board-designated portion of the Endowment Fund related to unrestricted bequests. An amount of \$250,000 was transferred from the Restricted Fund to the donor-designated portion of the Endowment Fund to reflect a donor-directed change in the description of a gift.

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

6. INTERFUND TRANSFERS

Transfers between funds consist of the following:

	2007		
	Unrestricted Fund	Restricted Fund	Endowment Fund
	\$	\$	\$
Allocation of investment income related to Board-designated endowments <i>[note 5[d] and [e]]</i>	(238,770)	21,323	217,447
Board approved transfers <i>[note 5[ff]]</i>	(20,172)	(250,000)	270,172
	(258,942)	(228,677)	487,619

	2006		
	Unrestricted Fund	Restricted Fund	Endowment Fund
	\$	\$	\$
Allocation of investment income related to Board-designated endowments <i>[note 5[d] and [e]]</i>	(172,107)	13,559	158,548
Board approved transfers - unrestricted bequests <i>[note 5[ff]]</i>	(207,066)	—	207,066
	(379,173)	13,559	365,614

7. CONTRIBUTED CAPITAL ASSETS

Contributed capital assets transferred to Toronto Rehab with an appraised value of \$68,614 [2006 - \$38,247] are included in Restricted Fund donations.

8. SPECIAL EVENTS

Special events, net represents gross revenues of \$961,602 [2006 - \$949,360] net of expenses of \$377,529 [2006 - \$378,654].

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

9. COMMITMENTS

The Foundation has committed to allocate up to \$60.0 million to Toronto Rehab in support of the redevelopment of the University and Lyndhurst Centres and the research objectives of Toronto Rehab. To date, grants to Toronto Rehab in connection with this commitment total approximately \$10.0 million. At March 31, 2007, an amount of \$3,104,964 [2006 – \$3,666,749] of these grants remain outstanding and are included in the amount due to Toronto Rehab.

The Foundation is engaged in a major fundraising campaign in support of the redevelopment of the University and Lyndhurst Centres and research.

10. PLEDGES

Pledges of approximately \$6,110,000 [2006 - \$2,350,000] to the Foundation's major fundraising campaign have been committed and will be recorded as donation revenue when received. Management believes that substantially all of these pledges will be collected.

11. STATEMENT OF CASH FLOWS

A separate statement of cash flows has not been presented as cash flows from operating, investing and financing activities can be determined from the other financial statements.

12. RELATED PARTY TRANSACTIONS

- [a] The Foundation is responsible for all fundraising activities carried out on behalf of Toronto Rehab.
- [b] Toronto Rehab provides certain services to the Foundation and pays some expenses on behalf of the Foundation. The Foundation reimburses Toronto Rehab for all direct costs associated with services provided and expenses paid, except for the Foundation's offices, which are operated in premises provided on a rent-free basis by Toronto Rehab.
- [c] The amount due to Toronto Rehab is payable on demand and is non-interest bearing.

13. FINANCIAL INSTRUMENTS

The carrying values of financial instruments approximate their fair values.

The Foundation is subject to market, interest rate and foreign currency risks with respect to its investments.