

Financial Statements

Toronto Rehabilitation Institute Foundation

March 31, 2011

INDEPENDENT AUDITORS' REPORT

To the Members of
Toronto Rehabilitation Institute Foundation

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **Toronto Rehabilitation Institute Foundation**, which comprise the balance sheet as at March 31, 2011 and the statement of operations and changes in fund balances for the year then ended, and 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.

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 the auditors' 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 auditors 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Toronto Rehabilitation Institute Foundation** as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Corporations Act (Ontario), we report that, in our opinion, Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

Toronto, Canada,
June 16, 2011.

Ernst + Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto Rehabilitation Institute Foundation

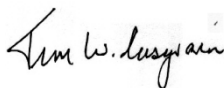
BALANCE SHEET

As at March 31

	2011	2010
	\$	\$
ASSETS		
Cash	821,099	66,828
Investments <i>[note 3]</i>	40,942,791	55,343,259
Other	28,195	27,563
	41,792,085	55,437,650
LIABILITIES AND FUND BALANCES		
Liabilities		
Accrued liabilities	119,641	147,668
Due to Toronto Rehabilitation Institute <i>[notes 8 and 11]</i>	8,646,036	13,192,031
Total liabilities	8,765,677	13,339,699
Fund balances		
Unrestricted	14,276,761	18,502,973
Restricted <i>[note 4]</i>	7,933,252	13,338,171
Endowment <i>[note 5]</i>	10,816,395	10,256,807
Total fund balances	33,026,408	42,097,951
	41,792,085	55,437,650

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

	<u>Unrestricted Fund</u>		<u>Restricted Fund</u>		<u>Endowment Fund</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE								
Donations <i>[note 7]</i>	573,402	449,303	1,825,835	2,160,829	50	100	2,399,287	2,610,232
Special events	468,388	396,704	221,351	189,732	—	—	689,739	586,436
Investment income <i>[notes 3 and 5]</i>	399,363	436,762	1,081,532	1,310,041	167,081	384,117	1,647,976	2,130,920
	1,441,153	1,282,769	3,128,718	3,660,602	167,131	384,217	4,737,002	5,327,588
EXPENSES								
Salaries and benefits	960,395	978,835	—	—	—	—	960,395	978,835
Special events	143,085	136,448	16,249	17,695	—	—	159,334	154,143
Other	268,390	219,561	35,071	57,238	—	—	303,461	276,799
	1,371,870	1,334,844	51,320	74,933	—	—	1,423,190	1,409,777
Excess (deficiency) of revenue over expenses before grants	69,283	(52,075)	3,077,398	3,585,669	167,131	384,217	3,313,812	3,917,811
Grants - Toronto Rehabilitation Institute <i>[note 11]</i>	(1,743,659)	(695,412)	(10,641,696)	(8,651,305)	—	—	(12,385,355)	(9,346,717)
Excess (deficiency) of revenue over expenses and grants for the year	(1,674,376)	(747,487)	(7,564,298)	(5,065,636)	167,131	384,217	(9,071,543)	(5,428,906)
Fund balances, beginning of year	18,502,973	19,624,117	13,338,171	20,409,631	10,256,807	7,493,109	42,097,951	47,526,857
Interfund transfers <i>[note 6]</i>	(2,551,836)	(373,657)	2,159,379	(2,005,824)	392,457	2,379,481	—	—
Fund balances, end of year	14,276,761	18,502,973	7,933,252	13,338,171	10,816,395	10,256,807	33,026,408	42,097,951

See accompanying notes

Toronto Rehabilitation Institute Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

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, which is incorporated under the laws of Ontario, 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 summarized 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.

Toronto Rehabilitation Institute Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

[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.

Revenue and expenses for special events are recognized in the year in which the event occurs.

Contributed capital assets that are transferred to Toronto Rehab are recognized at their fair market value as donations revenue in the financial statements.

Investments and investment income (loss)

Publicly traded securities are valued based on the latest bid prices and pooled funds are valued based on reported unit values. Short-term securities are valued based on cost plus accrued income, which approximates fair value. Transactions are recorded on a settlement date basis and transaction costs are expensed as incurred.

Investment income (loss), which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, is recorded in the statement of operations and changes in fund balances.

Investment income earned on Restricted Fund and Endowment Fund resources that must be spent on donor-restricted activities is recognized in the Restricted Fund. Investment income subject to restrictions stipulating that it be added to the principal amount of the endowment is recognized in the Endowment Fund. Unrestricted investment income (loss) earned on Unrestricted Fund, Restricted Fund and Endowment Fund resources is recognized in the Unrestricted Fund.

Contributed goods and services

Contributed goods and services are not recognized in the financial statements.

Toronto Rehabilitation Institute Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

Financial instruments

The Foundation has chosen to apply The Canadian Institute of Chartered Accountants ["CICA"] Handbook Section 3861: *Financial Instruments - Disclosure and Presentation* in place of CICA Section 3862: *Financial Instruments - Disclosures* and CICA Section 3863: *Financial Instruments - Presentation*.

Future special events

Costs directly related to the development of future special events are presented as other assets when the Foundation can reliably demonstrate that there is a future economic benefit associated with these costs. These costs are expensed over their estimated useful lives, which is when the event is held. Such costs are expensed immediately when there is insufficient evidence that the costs are recoverable.

Expense allocations

Direct costs of fundraising programs are allocated between the Unrestricted Fund and Restricted Fund based on the fund in which the related revenue is recorded. All salaries and benefits are allocated to the Unrestricted Fund, unless there is a special fundraising campaign, in which case, salaries and benefits are allocated to the Restricted Fund based on an estimate of time spent on the campaign.

Future changes in accounting policies

In November 2010, the Accounting Standards Board of the CICA issued Part III of the CICA Handbook that sets out the accounting standards for not-for-profit organizations that are effective for fiscal years beginning on or after January 1, 2012, with an option to early-adopt. The Foundation is currently evaluating the impact of these standards.

Toronto Rehabilitation Institute Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

3. INVESTMENTS

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

	2011	2010
	\$	\$
Short-term investments	24,544,740	40,427,631
Bonds	8,387,025	7,880,223
Canadian equities	5,119,331	4,394,581
Foreign equities	2,891,695	2,640,824
	40,942,791	55,343,259

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 \$1,647,976 [2010 - \$2,130,920] is net of custodial and investment counseling fees of \$168,902 [2010 - \$174,475].

4. RESTRICTED FUND

The Restricted Fund includes funds held for the following purposes:

	2011	2010
	\$	\$
Externally restricted		
Capital purposes <i>[note 3]</i>	461,354	7,272,502
Other purposes	6,232,122	4,839,274
	6,693,476	12,111,776
Internally restricted for grants	1,239,776	1,226,395
	7,933,252	13,338,171

The funds externally restricted for capital purposes are targeted for the redevelopment of the University Centre and Bickle Centre and the research objectives of Toronto Rehab. The other externally restricted funds are targeted for the support of various programs of Toronto Rehab.

Toronto Rehabilitation Institute Foundation

NOTES TO FINANCIAL STATEMENTS

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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:

	2011 \$	2010 \$
Donor-designated	3,852,201	3,685,070
Board-designated		
Unrestricted funds	1,927,819	1,771,878
Restricted funds	5,036,375	4,799,859
	10,816,395	10,256,807

Included in donor-designated funds is \$2,283,255 [2010 - \$2,207,767] 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. As at April 30, 2010, the date of the most recent valuation, the market value of the original \$3.0 million endowment was approximately \$2.5 million.

[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 3.5% [2010 - 3.5%] of the average value of each fund with the exception of the research chair funds which are at 5%.

Toronto Rehabilitation Institute Foundation

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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 endowment funds. For Board-designated unrestricted endowment 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 endowment funds, the preservation of capital is recorded as income of the Restricted Fund and transferred to the Endowment Fund in the 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, an amount is transferred to the Restricted and Unrestricted Funds. This amount is expected to be recovered by future net investment income.

- [d] In 2011, investment income earned on investments held for endowment funds of \$477,786 [2010 - \$1,049,820] was allocated for the preservation of capital. Of this amount, \$167,081 [2010 - \$384,117] related to donor-designated funds was recorded as investment income in the Endowment Fund. Capital preservation of \$129,228 [2010 - \$284,528], related to Board-designated unrestricted funds, was recorded as income in the Unrestricted Fund and then transferred to the Endowment Fund. Capital preservation of \$181,477 [2010 - \$381,174], related to Board-designated restricted funds, was recorded as income in the Restricted Fund and then transferred to the Endowment Fund [note 6].
- [e] In 2011, investment income of \$170,295 [2010 - \$152,154] and \$256,440 [2010 - \$186,063] was earned on donor-designated endowment and Board-designated restricted endowments, respectively. These amounts were made available for spending and recorded as Restricted Fund revenue. Investment income of \$89,770 [2010 - \$84,802] was earned on Board-designated unrestricted funds. This amount was recorded as revenue in the Unrestricted Fund and transferred to the Restricted Fund [note 6].
- [f] Restricted funds of \$55,039 [2010 - \$1,709,452] were transferred from the Restricted Fund to the Endowment Fund to internally endow a new research chair fund. In addition, \$26,713 [2010 - \$4,327] was transferred from the Unrestricted Fund to the Board-designated endowment funds related to unrestricted bequests. Unrestricted funds of \$2,306,125 [2010 - nil] were transferred to the Restricted Fund to cover a short-fall of restricted funds available for granting to Toronto Rehab for capital purposes.

Toronto Rehabilitation Institute Foundation

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6. INTERFUND TRANSFERS

Transfers between funds consist of the following:

	2011		
	Unrestricted Fund \$	Restricted Fund \$	Endowment Fund \$
Allocation of investment income and amount available for spending related to			
Board-designated endowments [notes 5[d] and [e]]	(218,998)	(91,707)	310,705
Board-approved transfers [note 5[ff]]	(2,332,838)	2,251,086	81,752
	(2,551,836)	2,159,379	392,457

	2010		
	Unrestricted Fund \$	Restricted Fund \$	Endowment Fund \$
Allocation of investment income and amount available for spending related to			
Board-designated endowments [notes 5[d] and [e]]	(369,330)	(296,372)	665,702
Board approved transfers [note 5[ff]]	(4,327)	(1,709,452)	1,713,779
	(373,657)	(2,005,824)	2,379,481

7. CONTRIBUTED CAPITAL ASSETS

Contributed capital assets transferred to Toronto Rehab with an appraised value of \$59,412 [2010 - \$66,714] are included in Restricted Fund donations.

8. COMMITMENTS

The Foundation has committed approximately \$43.17 million to support Toronto Rehab's various capital projects, subject to availability of funds. For these purposes, the Foundation has granted \$23.46 million to date. As at March 31, 2011, the Foundation has sufficient funds and pledges available [note 9] to meet the commitments related to the funding of these capital projects to be substantively expended over the next two fiscal years.

Toronto Rehabilitation Institute Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

In addition, as at March 31, 2011, the Board has approved future grants to Toronto Rehab of \$1.1 million annually for research until fiscal 2015 and has outstanding commitments of \$0.31 million for other projects in support of the mission of Toronto Rehab, subject to availability of funds.

9. PLEDGES

Pledges of approximately \$5.3 million have been committed and will be recorded as donation revenue when received. Management believes that substantially all of these pledges will be collected.

10. 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.

11. RELATED PARTY TRANSACTIONS

- [a] The Foundation is responsible for all fundraising activities carried out on behalf of Toronto Rehab.
- [b] The Foundation continues to seek private support for the University Centre redevelopment, the most significant capital project in the history of Toronto Rehab. To date, the Foundation has granted a total of \$34.9 million: \$20.5 million for the University Centre redevelopment; and \$14.4 million to research initiatives, the Lyndhurst Centre redevelopment, Bickle Centre redevelopment and several facility upgrades. The Foundation has also added \$6 million to the Endowment Funds related to research chairs.
- [c] In fiscal 2011, the Foundation recorded grants of \$8,448,160 [2010 - \$6,876,790] to Toronto Rehab for capital projects and \$3,937,195 [2010 - \$2,469,927] for research and other programs.
- [d] 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.
- [e] Of the amount due to Toronto Rehab of \$8,646,036, \$5,408,933 relates to funding for the redevelopment of the University Centre facility and will be paid when Toronto Rehab must make payments to the contractor, expected in calendar 2012.

Toronto Rehabilitation Institute Foundation

NOTES TO FINANCIAL STATEMENTS

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The balance of the amount payable is related to other grants and expenses paid on behalf of the Foundation. This amount is payable on demand and is non-interest bearing.

12. FINANCIAL INSTRUMENTS

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 established a target mix of investment types designed to achieve the optimal return within reasonable risk tolerances.

13. CAPITAL MANAGEMENT

In managing capital, the Foundation focuses on liquid resources available for granting and operations. The Foundation's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at March 31, 2011, the Foundation has met its objective of having sufficient liquid resources to meet its current obligations.

14. SUBSEQUENT EVENT

On April 1, 2011, Toronto Rehab and the University Health Network ["UHN"] executed a Memorandum of Understanding contemplating the integration of their activities and operations under a single corporation. The integration was approved on June 15, 2011 by the Boards of Toronto Rehab and UHN. The integration is still subject to the approval of the MOHLTC, the TC-LHIN and the corporate membership of Toronto Rehab. The integration is targeted for completion on June 30, 2011. The Foundation will remain a separate legal entity and continue to inspire philanthropic investments to advance rehabilitation research, education and patient care following the integration of Toronto Rehab and UHN.