Financial Statements

Thames Valley Children's Centre

March 31, 2013

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Thames Valley Children's Centre

We have audited the accompanying financial statements of **Thames Valley Children's Centre**, which comprise the statements of financial position as at March 31, 2013 and 2012, and April 1, 2011, and the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and 2012, 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 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of **Thames Valley Children's Centre** as at March 31, 2013 and 2012, and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and 2012 in accordance with Canadian accounting standards for not-for-profit organizations. As required by the Corporations Act (Ontario), we report that, in our opinion, after giving effect to the retroactive adoption of the accounting standards for not-for-profit organizations, these principles have been applied on a basis consistent with that of the preceding year.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

London, Canada,
May 27, 2013.

Thames Valley Children's Centre

Incorporated without share capital under the laws of Ontario

STATEMENTS OF FINANCIAL POSITION

As at

	March 31, 2013	**March 31, 2012**	**April 1, 2011**
	$	$	$
ASSETS			
Current			
Cash	**241,389**	425,360	818,779
Investments *[note 7]*	**8,502,326**	9,154,483	8,988,954
Accounts receivable			
Ministry of Children and Youth Services	**—**	30,503	30,000
Other	**607,748**	476,940	571,029
Other assets	**344,286**	310,686	283,089
Total current assets	**9,695,749**	10,397,972	10,691,851
Capital assets, net *[note 5]*	**11,041,807**	11,577,748	12,323,333
Long-term lease *[note 6]*	**74**	75	76
Total assets	**20,737,630**	21,975,795	23,015,260
LIABILITIES AND NET ASSETS			
Current			
Accounts payable and accrued charges *[note 13]*	**2,061,573**	2,224,774	2,537,602
Due to government agencies	**1,185**	4,923	4,923
Current portion of long-term credit facilities *[note 8]*	**644,223**	3,158,925	128,788
Deferred contributions *[note 9]*	**1,339,774**	1,386,941	1,558,228
Total current liabilities	**4,046,755**	6,775,563	4,229,541
Long-term credit facilities *[note 8]*	**1,173,293**	—	3,159,437
Deferred contributions *[note 9]*	**9,799,242**	9,514,788	8,985,716
Total liabilities	**15,019,290**	16,290,351	16,374,694
Net assets			
Internally restricted net assets *[note 10]*	**3,481,638**	3,481,638	4,556,690
Unrestricted net assets	**2,236,702**	2,203,806	2,083,876
Total net assets	**5,718,340**	5,685,444	6,640,566
Total liabilities and net assets	**20,737,630**	21,975,795	23,015,260

See accompanying notes

Thames Valley Children's Centre

STATEMENTS OF OPERATIONS

Years ended March 31

	2013				2012
	Government sponsored programs	**Community funds**	**Contracted services**	**Total**	**Total**
	$	$	$	$	$
REVENUE					
Ministry of Children and Youth Services					
- Rehab *[note 14]*	**7,763,164**	**—**	**—**	**7,763,164**	7,616,585
- Autism *[notes 14 and 16]*	**14,303,077**	**—**	**—**	**14,303,077**	13,966,583
Ministry of Health					
- Priority Programs	**628,791**	**—**	**—**	**628,791**	631,167
Other agencies	**72,605**	**157,740**	**—**	**230,345**	244,419
Fees for service	**60,937**	**11,765**	**2,854,896**	**2,927,598**	3,027,240
Fundraising and donations	**—**	**822,948**	**—**	**822,948**	529,371
Investment income *[note 7]*	**5,044**	**467,089**	**—**	**472,133**	180,747
Other	**510,833**	**405,564**	**—**	**916,397**	810,011
Total revenue	**23,344,451**	**1,865,106**	**2,854,896**	**28,064,453**	27,006,123
PROGRAM EXPENSES *[notes 2 and 4]*					
Clinical and technical specialty services	**3,689,913**	**—**	**421,374**	**4,111,287**	4,140,159
Early childhood, school age and adolescent services	**4,849,461**	**257,495**	**2,462,741**	**7,569,697**	7,687,027
Autism services	**14,597,543**	**—**	**—**	**14,597,543**	13,993,872
Research	**—**	**342,994**	**—**	**342,994**	340,379
Fundraising	**—**	**—**	**—**	**—**	233,757
Community resources	**—**	**627,945**	**—**	**627,945**	533,617
Special purposes	**—**	**4,854**	**—**	**4,854**	14,922
Amortization of capital assets	**207,534**	**569,703**	**—**	**777,237**	1,017,512
Total program expenses	**23,344,451**	**1,802,991**	**2,884,115**	**28,031,557**	27,961,245
Excess (deficiency) of revenue over expenses for the year	**—**	**62,115**	**(29,219)**	**32,896**	(955,122)

See accompanying notes

Thames Valley Children's Centre

STATEMENTS OF CHANGES IN NET ASSETS

Years ended March 31

	2013			2012
	Internally restricted	**Unrestricted**	**Total**	**Total**
	$	$	$	$
	[note 10]			
Balance, beginning of year	**3,481,638**	**2,203,806**	**5,685,444**	6,640,566
Excess (deficiency) of revenue over expenses for the year	**—**	**32,896**	**32,896**	(955,122)
Balance, end of year	**3,481,638**	**2,236,702**	**5,718,340**	5,685,444

See accompanying notes

Thames Valley Children's Centre

STATEMENTS OF CASHFLOWS

Years ended March 31

	2013	2012
	$	$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses for the year	**32,896**	(955,122)
Add (deduct) items not affecting cash		
Amortization of capital assets	**777,237**	1,017,512
Unrealized loss (gain) on investments *[note 7]*	**(181,903)**	140,635
Amortization of deferred contributions - capital *[note 9]*	**(612,394)**	(771,828)
Deferred contributions recognized as revenue in the year *[note 9]*	**(591,768)**	(299,839)
Deferred contributions received related to expenses of future periods *[note 9]*	**504,478**	373,618
Decrease in long-term lease *[note 6]*	**1**	1
Net change in non-cash working capital balances *[note 11]*	**(300,844)**	(246,839)
Cash used in operating activities	**(372,297)**	(741,862)
FINANCING ACTIVITIES		
Principal repayments of credit facilities	**(1,341,409)**	(129,300)
Deferred capital contributions received related to capital assets *[note 9]*	**936,971**	1,055,834
Cash provided by (used in) financing activities	**(404,438)**	926,534
INVESTING ACTIVITIES		
Investment withdrawals	**1,634,339**	451,942
Investment purchases	**(568,750)**	(500,000)
Investment funds reinvested	**(231,529)**	(258,106)
Additions to capital assets	**(241,296)**	(271,927)
Cash provided by (used in) investing activities	**592,764**	(578,091)
Net decrease in cash during the year	**(183,971)**	(393,419)
Cash, beginning of year	**425,360**	818,779
Cash, end of year	**241,389**	425,360

See accompanying notes

1. PURPOSE OF THE ORGANIZATION

The Thames Valley Children's Centre [the "Centre"] is a treatment centre providing habilitation and rehabilitation services for children and youth with communication, developmental or physical challenges living primarily in Southwestern Ontario. The Centre is incorporated without share capital under the Corporations Act (Ontario) and is a registered charity under the Income Tax Act (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared by management in accordance with Part III of the Canadian Institute of Chartered Accountants' ["CICA"] Handbook - Accounting Standards for Not-for-Profit Organizations and include certain estimates based on management's judgments. These estimates affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results may differ from those estimates. In the opinion of management, the financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

[a] Basis of presentation

Effective April 1, 2012, the Centre adopted Part III of the CICA Handbook - Accounting Standards for Not-for-Profit Organizations ["NPO Accounting Standards"] as issued by the Canadian Accounting Standards Board. The accounting policies selected under this framework have been applied retrospectively for comparative purposes. The required disclosures have been included in note 3.

The operations of the Centre have been presented in three categories for the information of the reader.

Government sponsored programs account for the Centre's clinical program delivery and administrative activities that are financed by provincial ministries and other agencies, certain fees for service and other operating revenue. Any funding in excess of expenses is refunded to the funder.

Community funds account for activities funded at the discretion of the Board of Directors. These include monies received from general donations, bequests and special fundraising events, investment income from the investment portfolio and other income generated by these activities. The expenses are related to fundraising activities and programs or expenses not funded by the government. Externally funded research projects are also included in this category.

Contracted services account for activities that are provided on a fee for service basis. It is the intention that the fees entirely offset the costs of the programs.

The programs delivered by the Centre are described below:

Clinical and technical specialty services: provides seating, augmentative communication, adaptive technology, cleft lip and palate, acquired brain injury outreach, medical clinics and gait analysis services to children from birth through young adulthood throughout Southwestern Ontario. Acute pediatric rehabilitative services at Children's Hospital at London Health Sciences Centre are also provided through this program.

Early childhood, school age and adolescent services: uses an interdisciplinary team approach to provide rehabilitation and habilitation services for children and their families from birth through young adulthood.

Autism services: provides Autism Intervention Program, School Support, Connections for Students and Community Based Applied Behaviour Analysis-Based Services.

Research: assists clinical staff in implementing research projects through consultation, education and the provision of resources.

Fundraising: generates public support and develops alternative funding for special programs and services. On April 1, 2012, the Centre entered into a three-year agreement with the Children's Health Foundation ["CHF"] and costs of fundraising are now incurred by CHF.

Community resources: includes the resource centre that provides access to health-related information for families, staff and community partners; a specialized pool of equipment; the volunteer program, which coordinates the recruiting of volunteers from the community and placement in appropriate positions in the Centre; and coordination and support of the Opportunities to Participate programs.

Expenses for special purposes: expenditures of funds that have been donated to the Centre for a specific purpose.

The direct expenses related to the Centre's activities, such as the cost of personnel and supplies, are allocated to each function in the statements of operations. The Centre also incurs general support expenses that are common to the administration of the Centre and each of its functions. Certain of these expenses are allocated to functions identified in note 4.

The allocated expenses include those related to senior management, human resources, finance, information systems, facility resources and clinical records. These expenses are allocated proportionately based on personnel hours incurred, building space occupied or percentage of overall operating costs incurred.

[b] Revenue recognition and deferred contributions

Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received. Funding from the Ministry of Children and Youth Services is recorded as revenue when receivable, and is subject to adjustment upon approval of expenditures. Repayments that are reasonably assured are accrued in the accounts. Fees for services are recorded as earned.

[c] Capital assets and amortization

All capital assets reflected in the statements of financial position are stated at cost. Amortization is provided on the straight-line basis at the following rates:

Building	10 to 40 years
Furniture, fixtures and office equipment	5 years
Therapy and rehab equipment	5 years
Computer equipment and software	3 years

In the year of acquisition and disposal of a capital asset, one-half of the amortization is charged in the accounts.

[d] Employee future benefits

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

[e] Investments and investment income

Pooled funds are valued based on reported unit values at year end and changes in value are recorded as investment income or loss. Short-term securities are valued based on cost plus accrued income, which approximates fair value. Transactions are recorded on a trade date basis.

Investment income includes dividends and interest, income distributions from pooled funds and unrealized and realized gains and losses and is recorded in the statements of operations in the period earned or incurred.

The Centre is subject to market risk, foreign currency risk and interest rate risk with respect to its investment portfolio. To manage these risks, the Centre has established a target mix of investment types designed to achieve the optimal return within reasonable risk tolerances.

Transaction costs to acquire or dispose of these securities are recognized as expenses in the period during which they are incurred.

3. FIRST-TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

These financial statements are the first financial statements which the Centre has prepared in accordance with Part III of the CICA Handbook – Accounting, which constitutes generally accepted accounting principles for not-for-profit organizations in Canada. First-time adoption of this new basis of accounting required the Centre to reclassify long-term debt of $1,816,566 to short-term debt as at March 31, 2012. The first-time adoption had no impact on excess of revenue over expenses for the year ended March 31, 2012, or net assets as at April 1, 2011, the date of transition.

4. ALLOCATION OF EXPENSES

Central administration costs have been allocated as follows:

	2013 $	**2012** $
Clinical and technical specialty services	**644,336**	634,343
Early childhood, school age and adolescent services	**1,139,628**	1,098,737
Autism services	**1,435,686**	1,411,647
Research	**18,570**	25,693
Fundraising	**—**	15,040
Community resources	**87,924**	75,168
	3,326,144	3,260,628

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

5. CAPITAL ASSETS

Capital assets consist of the following:

	March 31, 2013		March 31, 2012		April 1, 2011	
	Cost $	Accumulated amortization $	Cost $	Accumulated amortization $	Cost $	Accumulated amortization $
Tangible assets						
Building	**17,148,333**	**6,576,737**	17,113,291	6,114,817	17,087,028	5,561,543
Furniture, fixtures and office equipment	**3,153,477**	**3,069,310**	3,149,877	2,993,136	3,134,381	2,805,385
Therapy and rehab equipment	**1,744,313**	**1,638,000**	1,719,550	1,586,933	1,688,069	1,527,131
Computer equipment	**3,762,957**	**3,558,500**	3,661,662	3,408,071	3,464,810	3,229,988
	25,809,080	**14,842,547**	25,644,380	14,102,957	25,374,288	13,124,047
Intangible assets						
Software	**945,147**	**869,873**	868,553	832,228	866,719	793,627
	26,754,227	**15,712,420**	26,512,933	14,935,185	26,241,007	13,917,674
Less accumulated amortization	**15,712,420**		14,935,185		13,917,674	
Net book value	**11,041,807**		11,577,748		12,323,333	

6. LONG-TERM LEASE

A long-term lease for the use of land has been entered into between the Centre and the London Health Sciences Centre. The term of the lease is 99 years with payments of $1 to be made on an annual basis. The amount has been prepaid and 74 years remain in the term.

7. INVESTMENTS

The Centre holds its investments in the following pooled funds:

	March 31, 2013 $	March 31, 2012 $	April 1, 2011 $
Money market funds	**719,051**	1,209,935	703,924
Bond funds	**3,521,233**	3,732,792	3,808,087
Equity funds	**4,262,042**	4,211,756	4,476,943
	8,502,326	9,154,483	8,988,954

Investment income consists of the following:

	2013			2012
	Government sponsored programs $	Community funds $	Total $	Total $
Dividends and interest	**5,044**	**285,389**	**290,433**	301,606
Net realized and unrealized gain (loss)	**—**	**181,700**	**181,700**	(120,859)
	5,044	**467,089**	**472,133**	180,747

Included in the above is an unrealized gain of $181,904 during the year [2012 - loss of $140,635].

8. CREDIT FACILITIES

The credit facilities established by the Centre's banker consist of a variable rate revolving demand facility of $1,000,000 [2012 - $1,000,000] bearing interest at a prime rate of 3% [2012 - 3.0%] minus 0.50% [2012 - 0.50%]. No amount has been drawn on this facility at year end [2012 - nil].

The Centre had a fixed rate term loan which matured on June 5, 2012 bearing interest at 5.45% [2012 - 5.45%]. On June 5, 2012, the Centre restructured into two fixed rate term loans due June 5, 2013 bearing interest at 2.51% and due June 5, 2015 bearing interest at 2.94%, respectively.

Interest costs incurred during the year amounted to $78,155 [2012 - $176,007]. At March 31, 2013, the Centre has pledged its investment portfolio as collateral for all amounts drawn on these facilities; however, subsequent to year end, the facility agreement has been amended to remove all collateral pledged by the Centre.

Amounts drawn on these facilities are shown in the following table:

	March 31, 2013 $	**March 31, 2012** $	**April 1, 2011** $
Long-term credit facilities:			
Fixed rate term loan due June 5, 2012	**—**	3,158,925	3,288,225
Fixed rate term loan due June 5, 2013	**453,758**	—	—
Fixed rate term loan due June 5, 2015	**1,363,758**	—	—
	1,817,516	3,158,925	3,288,225
Less current portion	**644,223**	3,158,925	128,788
	1,173,293	—	3,159,437

The following is a schedule of the future minimum principal repayments:

	$
2014	644,223
2015	196,236
2016	977,057
	1,817,516

The principal repayment obligation noted above includes fixed rate term loans with a contractual repricing date of June 5, 2013 and June 5, 2015, respectively. It is the policy of the Centre to negotiate the renewal of loans as they mature.

9. DEFERRED CONTRIBUTIONS

Deferred contributions consist of the following:

	March 31, 2013 $	**March 31, 2012** $	**April 1, 2011** $
Expenses of future periods [a]	**762,920**	850,210	776,431
Capital assets [b]	**10,376,096**	10,051,519	9,767,513
	11,139,016	10,901,729	10,543,944
Less current portion	**1,339,774**	1,386,941	1,558,228
	9,799,242	9,514,788	8,985,716

[a] Expenses of future periods

Deferred contributions related to expenses of future periods are as follows:

	March 31, 2013 $	March 31, 2012 $	April 1, 2011 $
Balance, beginning of year	**850,210**	776,431	883,278
Add amounts received related to future periods	**504,478**	373,618	396,196
Less amounts recognized as revenue during the year	**(591,768)**	(299,839)	(503,043)
Balance, end of year	**762,920**	850,210	776,431

[b] Deferred contributions related to capital assets

Deferred contributions related to capital assets are as follows:

	March 31, 2013 $	March 31, 2012 $	April 1, 2011 $
Balance, beginning of year	**10,051,519**	9,767,513	9,778,434
Additional contributions received	**936,971**	1,055,834	664,268
Less amounts amortized to revenue	**(612,394)**	(771,828)	(675,189)
Balance, end of year	**10,376,096**	10,051,519	9,767,513

10. INTERNALLY RESTRICTED NET ASSETS

Internally restricted net assets consist of the following:

	March 31, 2013 $	March 31, 2012 $	April 1, 2011 $
Funds restricted for research	**11,119**	12,570	15,763
Funds restricted for Board designated purposes	**3,470,519**	3,469,068	4,540,927
	3,481,638	3,481,638	4,556,690

Funds restricted for Board designated purposes are used at the discretion of the Board of Directors. These funds are known as the "Children's Legacy For Success".

11. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

The following table details the components of net change in non-cash working capital balances related to operations:

	2013 $	**2012** $
Accounts receivable	**(100,305)**	93,586
Other assets	**(33,600)**	(27,597)
Accounts payable and accrued charges	**(163,201)**	(312,828)
Due to government agencies	**(3,738)**	—
	(300,844)	(246,839)

12. HEALTHCARE OF ONTARIO PENSION PLAN

Substantially all of the employees of the Centre are members of the Healthcare of Ontario Pension Plan ["HOOPP"], which is a multi-employer, defined benefit, final average earnings, contributory pension plan. The Centre's contributions to HOOPP during the year amounted to $1,468,644 [2012 - $1,443,880]. This amount is included in compensation expense in the statements of operations and changes in net assets.

The most recent actuarial valuation for financial reporting purposes completed by HOOPP as at December 31, 2012, disclosed net assets available for benefits of $47,414,000 [2011 - $40,321,000] with pension obligations of $39,919,000 [2011 - $36,782,000], resulting in a surplus of $7,495,000 [2011 - $3,539,000].

13. GOVERNMENT REMITTANCES PAYABLE

As at March 31, 2013, accounts payable and accrued liabilities include government remittances payable of $21,293 [March 31, 2012 - $21,366; April 1, 2011 - ($115,971)]. None of these remittances are in arrears.

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

14. MINISTRY OF CHILDREN AND YOUTH SERVICES

The Centre's service contract with the Ministry of Children and Youth Services ["MCYS"] requires management to produce an Annual Reconciliation Report, which shows a summary of all revenue and expenditures and any resulting surplus or deficit that relates to the contract. This report indicates there is $1,185 [2012 - $4,923] in excess funding for 2013 payable to the government.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Centre's financial instruments include cash, investments, accounts receivable, accounts payable and accrued liabilities. Due to their nature or capacity for prompt liquidations, the fair values of these financial instruments approximate their carrying value.

The Centre's financial instruments do not expose the Centre to significant liquidity risk.

Market risk

The Centre has an investment policy that restricts the types and amounts of eligible investments. Equity and fixed income securities are held within pooled funds. Risk and volatility of investments are mitigated through diversification of investments in different countries, business sectors and corporation sizes.

Credit risk

The Centre is exposed to credit risk in connection with its accounts receivable. The Centre's maximum credit risk is limited to the carrying value of accounts receivable. As at March 31, 2013, 80% of the accounts receivable balance is due from the federal and provincial Government [March 31, 2012 - 83%; April 1, 2011 - 81%].

Currency risk

The Centre's investments are denominated in Canadian dollars. Certain investments such as the United States and other international equities include investments in foreign jurisdictions and are therefore subject to foreign currency fluctuations. The Centre mitigates the currency risk exposure of its foreign securities through diversification of the pooled funds, which are comprised of multiple currencies.

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Centre's cash flows, financial position and income. Interest rate changes directly impact the value of fixed income securities. The Centre manages the interest rate risk exposure of its fixed income investments by holding investments with varying terms to maturity.

16. APPLIED BEHAVIOUR ANALYSIS-BASED SERVICES

During the prior year, the Centre added a new MCYS funded Autism program, Community Based Applied Behaviour Analysis-Based Services ["ABA"] [MCYS code A598] with funding received as follows:

	2013 $	**2012** $
Funding	**2,275,000**	2,038,400
Operating expenditures	**(2,123,143)**	(1,589,035)
Deferred to offset future amortization of capital assets	**(151,857)**	(449,365)
Surplus	**—**	—

Funding used for operating purposes was recognized as revenues and expenses that totaled $2,123,143 [2012 - $1,589,035]. Additional funds of $151,857 were used for capital expenditures and have been deferred to offset future amortization expenses.

17. CHILDREN'S HEALTH FOUNDATION

On April 1, 2012, the Centre entered into a three-year agreement with CHF under which the future fundraising activities of the Centre will be undertaken on their behalf by CHF. The agreement provides for minimum annual funding of not less than $375,000 to a maximum of $750,000 in any given year. In this first year of the contract, $703,307 was received.