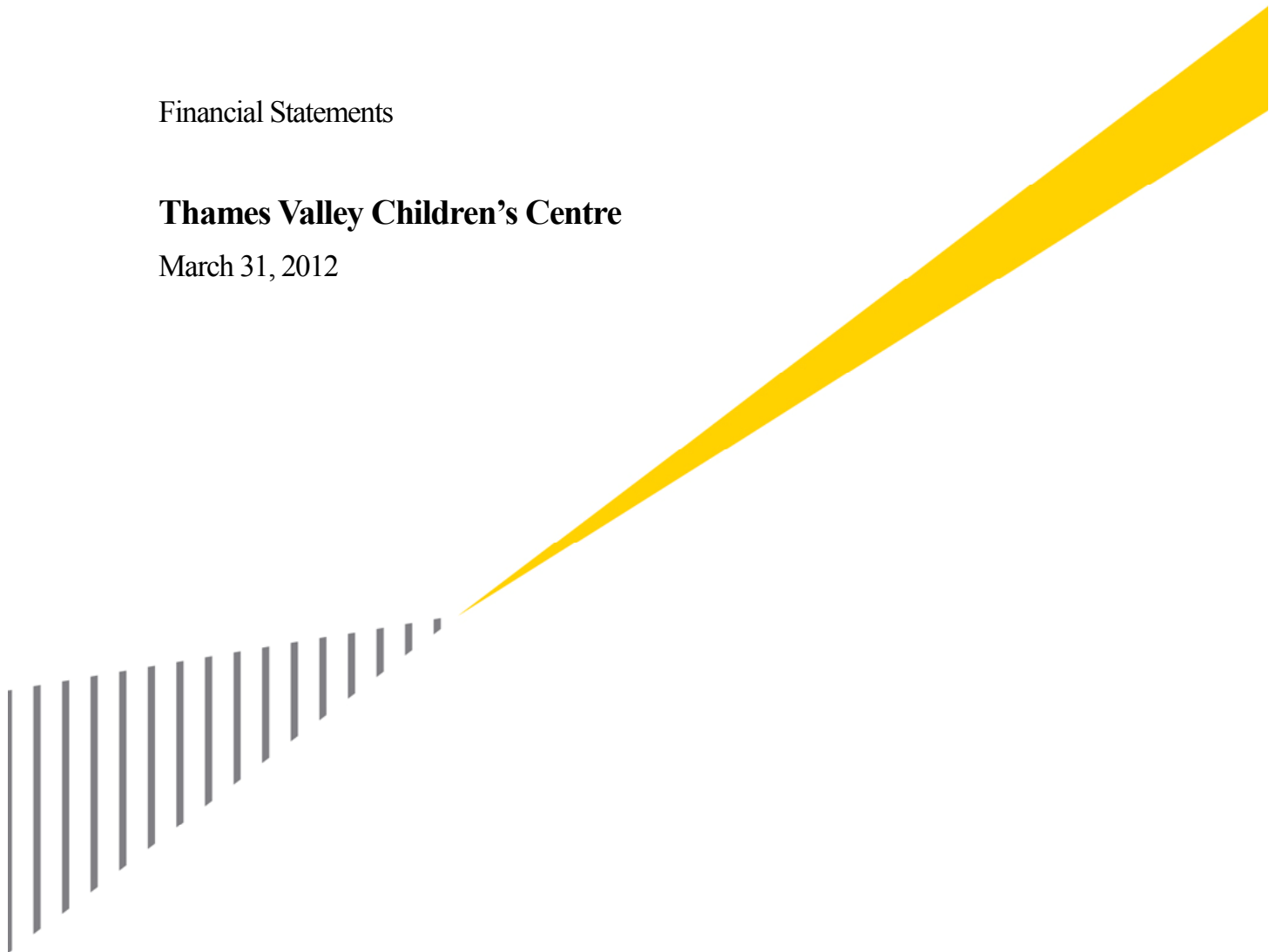


Financial Statements

Thames Valley Children's Centre

March 31, 2012



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 statement of financial position as at March 31, 2012 and the statements of operations, changes in net assets and cash flows 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.

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, 2012 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.

London, Canada,
May 28, 2012.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Thames Valley Children's Centre

Incorporated without share capital under the laws of Ontario

STATEMENT OF FINANCIAL POSITION

As at March 31

	2012	2011
	\$	\$
ASSETS		
Current		
Cash	425,360	818,779
Investments <i>[note 7]</i>	9,154,483	8,988,954
Accounts receivable		
Ministry of Children and Youth Services	30,503	30,000
Other	476,940	571,029
Other assets	310,686	283,089
Total current assets	10,397,972	10,691,851
Capital assets, net <i>[note 5]</i>	11,577,748	12,323,333
Long-term lease <i>[note 6]</i>	75	76
Total assets	21,975,795	23,015,260
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued charges	2,224,774	2,537,602
Due to government agencies	4,923	4,923
Current portion of long-term credit facilities <i>[note 8]</i>	1,342,359	128,788
Deferred contributions <i>[note 9]</i>	1,386,941	1,558,228
Total current liabilities	4,958,997	4,229,541
Long-term credit facilities <i>[note 8]</i>	1,816,566	3,159,437
Deferred contributions <i>[note 9]</i>	9,514,788	8,985,716
Total liabilities	16,290,351	16,374,694
Net assets		
Internally restricted net assets <i>[note 10]</i>	3,481,638	4,556,690
Unrestricted net assets	2,203,806	2,083,876
Total net assets	5,685,444	6,640,566
Total liabilities and net assets	21,975,795	23,015,260

See accompanying notes

Thames Valley Children's Centre

STATEMENT OF OPERATIONS

Year ended March 31

	2012			2011	
	Government sponsored programs	Community funds	Contracted services	Total	Total
	\$	\$	\$	\$	\$
REVENUE					
Ministry of Children and Youth Services					
- Rehab [note 13]	7,616,585	—	—	7,616,585	7,699,779
- Autism [notes 13 and 14]	13,966,583	—	—	13,966,583	12,604,227
Ministry of Health					
- Priority Programs	631,167	—	—	631,167	623,192
Other agencies	87,708	156,711	—	244,419	263,611
Fees for service	33,961	12,578	2,980,701	3,027,240	3,383,258
Bequests	—	23,530	—	23,530	221,572
Donations	—	108,049	—	108,049	169,100
Special events	—	397,792	—	397,792	317,966
Investment income [note 7]	5,306	175,441	—	180,747	778,968
Other [note 3]	261,019	548,992	—	810,011	895,888
Total revenue	22,602,329	1,423,093	2,980,701	27,006,123	26,957,561
PROGRAM EXPENSES [notes 2 and 4]					
Clinical and technical specialty services	3,741,293	—	398,866	4,140,159	4,141,156
Early childhood, school age and adolescent services	4,643,754	263,013	2,780,260	7,687,027	8,035,498
Autism services	13,993,872	—	—	13,993,872	12,797,481
Research	—	340,379	—	340,379	338,827
Fundraising	—	233,757	—	233,757	194,598
Community resources	—	533,617	—	533,617	496,095
Expenditures for special purposes	—	14,922	—	14,922	70,292
Amortization of capital assets	223,410	794,102	—	1,017,512	840,108
Total program expenses	22,602,329	2,179,790	3,179,126	27,961,245	26,914,055
Excess (deficiency) of revenue over expenses for the year	—	(756,697)	(198,425)	(955,122)	43,506

See accompanying notes

Thames Valley Children's Centre

STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31

	2012			2011
	Internally restricted \$	Unrestricted \$	Total \$	Total \$
	<i>[note 10]</i>			
Balance, beginning of year	4,556,690	2,083,876	6,640,566	6,597,060
Excess (deficiency) of revenue over expenses for the year	—	(955,122)	(955,122)	43,506
Interfund transfers <i>[note 10]</i>	(1,075,052)	1,075,052	—	—
Balance, end of year	3,481,638	2,203,806	5,685,444	6,640,566

See accompanying notes

Thames Valley Children's Centre

STATEMENT OF CASH FLOWS

Year ended March 31

	2012	2011
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses for the year	(955,122)	43,506
Add (deduct) items not affecting cash		
Amortization of capital assets	1,017,512	840,108
Unrealized loss (gain) on investments [note 7]	140,635	(372,522)
Amortization of deferred contributions - capital [note 9]	(771,828)	(675,189)
Deferred contributions recognized as revenue in the year [note 9]	(299,839)	(503,043)
Deferred contributions received related to expenses of future periods [note 9]	373,618	396,196
Decrease in long-term lease [note 6]	1	1
Net change in non-cash working capital balances [note 11]	(246,839)	246,567
Cash used in operating activities	(741,862)	(24,376)
FINANCING ACTIVITIES		
Principal repayments of credit facilities	(129,300)	(414,426)
Repayment of demand loan	—	(1,500,000)
Deferred capital contributions received related to capital assets [note 9]	1,055,834	664,268
Cash provided by (used in) financing activities	926,534	(1,250,158)
INVESTING ACTIVITIES		
Investment withdrawals	451,942	804,998
Investment purchases	(500,000)	—
Investment funds reinvested	(258,106)	(347,402)
Additions to capital assets	(271,927)	(410,091)
GST rebate earned on capital assets [note 3]	—	120,076
Cash provided by (used in) investing activities	(578,091)	167,581
Net decrease in cash during the year	(393,419)	(1,106,953)
Cash, beginning of year	818,779	1,925,732
Cash, end of year	425,360	818,779

See accompanying notes

Thames Valley Children's Centre

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

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 Canadian generally accepted accounting principles 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

The operating funds 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 expenditures 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.

Thames Valley Children's Centre

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

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.

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.

Expenditures 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 statement 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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

[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.

Investment and dividend income are recognized as revenue when earned.

[c] Capital assets and amortization

All capital assets reflected in the statement 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] Financial instruments

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

Cash and investments are classified as held for trading and measured at fair value with changes in fair value recognized in excess (deficiency) of revenue over expenses. Accounts receivable have been designated as loans and receivables. Accounts payable and accrued charges, due to government agencies, and short-term and long-term credit facilities are classified as other financial liabilities. After their initial fair value measurement they are measured at amortized cost using the effective interest rate method.

Thames Valley Children's Centre

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

[f] 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 statement 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.

[g] 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. Management has not yet quantified the impact of these standards on the Centre's financial statements.

3. GST REBATE

During the prior year, the Centre received \$318,000 from the Government of Ontario for Goods and Services Tax rebates related to costs incurred from 2005 through 2010. For those rebates earned related to capital asset purchases, the Centre allocated \$120,000 as a reduction in the cost of capital assets on the statement of financial position. The remaining \$198,000 was included in other income on the statement of operations.

Thames Valley Children's Centre

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

4. ALLOCATION OF EXPENSES

Central administration costs have been allocated as follows:

	2012	2011
	\$	\$
Clinical and technical specialty services	634,343	730,843
Early childhood, school age and adolescent services	1,098,737	1,306,399
Autism services	1,411,647	1,221,660
Research	25,693	23,320
Fundraising	15,040	18,267
Community resources	75,168	70,672
	3,260,628	3,371,161

5. CAPITAL ASSETS

Capital assets consist of the following:

	2012		2011	
	Cost	Accumulated	Cost	Accumulated
	\$	\$	\$	\$
Building	17,113,291	6,114,817	17,087,028	5,561,543
Furniture, fixtures and office equipment	3,149,877	2,993,136	3,134,381	2,805,385
Therapy and rehab equipment	1,719,550	1,586,933	1,688,069	1,527,131
Computer equipment and software	4,530,215	4,240,299	4,331,529	4,023,615
	26,512,933	14,935,185	26,241,007	13,917,674
Less accumulated amortization	14,935,185		13,917,674	
Net book value	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 75 years remain in the term.

Thames Valley Children's Centre

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

7. INVESTMENTS

The Centre holds its investments in the following pooled funds:

	2012	2011
	\$	\$
Money market funds	1,209,935	703,924
Bond funds	3,732,792	4,476,943
Equity funds	4,211,756	3,808,087
	9,154,483	8,988,954

Investment income consists of the following:

	2012		2011
	Government sponsored programs	Community funds	Total
	\$	\$	\$
Dividends and interest	5,306	296,300	283,110
Net realized and unrealized gains (loss)	—	(120,859)	495,858
	5,306	175,441	778,968

Included in the above is an unrealized loss of \$140,635 during the year [2011 - gain of \$372,522].

8. CREDIT FACILITIES

The credit facilities established by the Centre's banker consist of a variable rate revolving demand facility of \$1,000,000 [2011 - \$1,000,000] bearing interest at prime minus 0.50% [2011 - 0.25%]. No amount has been drawn on this facility at year end [2011 - nil].

In addition, the Centre has a fixed rate term loan due June 5, 2012 bearing interest at 5.45% [2011 - 5.45%].

Interest costs incurred during the year amounted to \$176,007 [2011 - \$189,932]. These credit facilities were used to fund the capital expansion completed in 2007. The Centre has pledged its investment portfolio as collateral for all amounts drawn on these facilities.

Thames Valley Children's Centre

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

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

	2012	2011
	\$	\$
Long-term credit facilities:		
Fixed rate term loan due June 5, 2012	3,158,925	3,288,225
	3,158,925	3,288,225
Less current portion	1,342,359	128,788
	1,816,566	3,159,437

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

	\$
2013	1,342,359
2014	256,076
2015	263,640
2016	271,217
2017	279,178
Thereafter	746,455
	3,158,925

The principal repayment obligation noted above is a fixed rate term loan with a contractual repricing date of June 5, 2012. It is the policy of the Centre to negotiate the renewal of loans as they mature.

The estimated fair values of fixed rate term loans are determined by discounting the future contractual cash flows relating to the loans at discount rates that represent current borrowing rates available for instruments with similar terms and maturities. At March 31, 2012, the estimated fair value of the fixed rate term loan is \$3,160,000 [2011 - \$3,360,000].

Thames Valley Children's Centre

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

9. DEFERRED CONTRIBUTIONS

Deferred contributions consist of the following:

	2012 \$	2011 \$
Expenses of future periods [a]	850,210	776,431
Capital assets [b]	<u>10,051,519</u>	<u>9,767,513</u>
	10,901,729	10,543,944
Less current portion	<u>1,386,941</u>	<u>1,558,228</u>
	<u>9,514,788</u>	<u>8,985,716</u>

[a] Expenses of future periods

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

	2012 \$	2011 \$
Balance, beginning of year	776,431	883,278
Add amounts received related to future periods	373,618	396,196
Less amounts recognized as revenue during the year	<u>(299,839)</u>	<u>(503,043)</u>
Balance, end of year	<u>850,210</u>	<u>776,431</u>

[b] Deferred contributions related to capital assets

Deferred contributions related to capital assets are as follows:

	2012 \$	2011 \$
Balance, beginning of year	9,767,513	9,778,434
Additional contributions received	1,055,834	664,268
Less amounts amortized to revenue	<u>(771,828)</u>	<u>(675,189)</u>
Balance, end of year	<u>10,051,519</u>	<u>9,767,513</u>

Thames Valley Children's Centre

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

10. INTERNALLY RESTRICTED NET ASSETS

Internally restricted net assets consist of the following:

	2012	2011
	\$	\$
Funds restricted for research	12,570	15,763
Funds restricted for Board designated purposes	3,469,068	4,540,927
	<u>3,481,638</u>	<u>4,556,690</u>

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". During the current year, the Board of Directors approved transfers of \$1,075,052 from the internally restricted to the unrestricted net assets.

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:

	2012	2011
	\$	\$
Accounts receivable	93,586	(70,285)
Other assets	(27,597)	116,752
Accounts payable and accrued charges	(312,828)	200,137
Due to government agencies	—	(37)
	<u>(246,839)</u>	<u>246,567</u>

12. HEALTHCARE OF ONTARIO PENSION PLAN

Pension benefit costs are expensed as related contributions are made to the Healthcare of Ontario Pension Plan ["HOOPP"], a multi-employer, defined benefit, final average earnings, contributory pension plan. Substantially all of the employees of the Centre are members of HOOPP. Employer contributions made to HOOPP on behalf of employees amounted to \$1,443,880 during the year [2011 - \$1,366,645] and are included in the program expenses in the statement of operations.

The most recent actuarial valuation for financial reporting purposes completed by HOOPP as at December 31, 2011 disclosed net assets available for benefits of \$40,321 million [2010 - \$35,717

Thames Valley Children's Centre

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

million] with pension obligations of \$36,782 million [2010 - \$34,897 million], resulting in a surplus of \$3,539 million [2010 - \$820 million].

13. 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 \$4,923 [2011 - \$4,923] in excess funding for 2011 payable to the government.

14. APPLIED BEHAVIOUR ANALYSIS-BASED SERVICES

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

	2012	2011
	\$	\$
Funding	2,038,400	—
Operating expenditures	(1,589,035)	—
Deferred to offset future amortization of capital assets	(449,365)	—
Surplus	—	—

Funding used for operating purposes was recognized as revenues and expenses which totalled \$1,589,035 [2011 - nil]. Additional funds of \$449,365 were used for capital expenditures and have been deferred to offset future amortization expenses.

15. CAPITAL MANAGEMENT

In managing capital, the Centre focuses on liquid resources available for operations. The Centre's objective is to have sufficient liquid resources to continue operating despite adverse financial events. The need for sufficient liquid resources is considered in the preparation of the annual budget and in the monitoring of cash flows and actual operating results compared to the budget. Funding is received on a monthly basis from government sponsored programs and contracted services. The Centre has an available line of credit of \$1,000,000 that is used when sufficient cash flow is not available from operations to cover operating and capital expenditures. As at March 31, 2012, the Centre has met its objective of having sufficient liquid resources to meet its current obligations.

Thames Valley Children's Centre

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

16. SUBSEQUENT EVENT

On April 1, 2012, the Centre entered into a three-year agreement with the Children's Health Foundation ["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.