Financial statements of
The Hincks-Dellcrest Institute

March 31, 2018

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Independent Auditor's Report

To the Board of Trustees of
The Hincks-Dellcrest Institute

We have audited the accompanying financial statements of The Hincks-Dellcrest Institute (the "Institute"), which comprise the statement of financial position as at March 31, 2018, and the statements of revenue and expenses, changes in net assets, and cash flow 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 public sector accounting standards, 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.

Auditor's 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 auditor's 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 auditor considers 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 the Institute as at March 31, 2018, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Comparative Information

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes that the Institute adopted Canadian public sector accounting standards including government not-for-profit organizations sections PS 4200 to 4270 on April 1, 2017 with a transition date of April 1, 2016. These standards were applied retroactively by management to the comparative information in these financial statements, including the statement of financial position as at March 31, 2017 and April 1, 2016, and the statements of revenue and expenses, and of cash flow for the year ended March 31, 2017 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 20, 2018

The Hincks-Dellcrest Institute

Statement of financial position

As at March 31, 2018

	Notes	March 31, 2018	March 31, 2017
		$	$ (Unaudited) (Note 2)
Assets			
Current assets			
Cash		**140,412**	—
Accounts receivable	7	**447,187**	39,929
Prepaid expenses		**18,281**	20,283
Total current assets		**605,880**	60,212
Capital assets	4	**1,270,664**	1,066,105
Total assets		**1,876,544**	1,126,317
Liabilities			
Current liabilities			
Bank indebtedness	3	**—**	67,105
Accounts payable and accrued liabilities	8	**614,879**	80,050
Deferred contributions	5	**262,351**	306,485
Total current liabilities		**877,230**	453,640
Deferred capital contributions	6	**292,991**	—
Total liabilities		**1,170,221**	453,640
Net assets			
Internally restricted	7	**977,673**	1,066,105
Unrestricted		**(271,350)**	(393,428)
Total net assets		**706,323**	672,677
		1,876,544	1,126,317

The accompanying notes are an integral part of the financial statements.

Approved by the Board

_______________ Trustee

_______________ Trustee

	Notes	March 31, 2018	March 31, 2017
		$	$ (Unaudited) (Note 2)
Revenue			
Training fees		**911,207**	753,223
Building rental	6	**280,048**	288,130
Grants and donations	6	**7,744**	16,792
Other		**—**	34,714
		1,198,999	1,092,859
Expenses			
Training		**572,829**	451,289
Research		**—**	5,765
Administration		**343,905**	449,050
Building		**153,549**	162,538
Interest and bank charges		**—**	1,863
Amortization		**95,070**	95,070
		1,165,353	1,165,575
Excess (deficiency) of revenue over expenses for the year		**33,646**	(72,716)

The accompanying notes are an integral part of the financial statements.

The Hincks-Dellcrest Institute

Statement of changes in net assets

Year ended March 31, 2018

	March 31, 2018			March 31, 2017		
	Unrestricted	**Internally restricted**	**Total**	Unrestricted	Internally restricted	Total
	$	**$**	**$**	$	$	$
		(Note 7)		(Note 2)	(Notes 2 and 7)	(Unaudited) (Note 2)
Net assets (deficit), beginning of year	**(393,428)**	**1,066,105**	**672,677**	(415,782)	1,161,175	745,393
Excess (deficiency) of revenue over expenses	**128,716**	**(95,070)**	**33,646**	22,354	(95,070)	(72,716)
Purchase of capital assets net of deferred capital contributions	**(6,638)**	**6,638**	—	—	—	—
Net assets (deficit), end of year	**(271,350)**	**977,673**	**706,323**	(393,428)	1,066,105	672,677

The accompanying notes are an integral part of the financial statements.

	March 31, 2018	March 31, 2017
	$	$ (Unaudited) (Note 2)
Operating activities		
Excess (deficiency) of revenue over expenses for the year	**33,646**	(72,716)
Add items not affecting cash		
Amortization expense	**95,070**	95,070
	128,716	22,354
Changes in non-cash operating working capital items		
Accounts receivable	**(407,258)**	31,167
Prepaid expenses	**2,002**	923
Accounts payable and accrued liabilities	**534,829**	(127,536)
Deferred conributions	**(44,134)**	68,189
	214,155	(4,903)
Investing activity		
Purchase of capital assets	**(299,629)**	—
Financing activity		
Capital contributions	**292,991**	—
Net cash inflow (outflow)	**207,517**	(4,903)
Bank indebtedness, beginning of year	**(67,105)**	(62,202)
Cash (bank indebtedness), end of year	**140,412**	(67,105)

The accompanying notes are an integral part of the financial statements.

1. Description of operations

The Hincks-Dellcrest Institute (the "Institute") was established to sponsor and provide programs for training, research, consultation, and professional and public education in the disciplines of psychology, psychiatry, social work, child care and related areas in children's mental health.

The Hospital for Sick Children (the "Hospital") exercises control over the Institute through a governance and operational structure managed by the Hospital. This integration was outlined in a memorandum of understanding between the two entities dated November 8, 2016 and effective February 1, 2017.

The Institute is registered with Canada Revenue Agency as a charitable organization and is therefore not subject to income taxes.

2. Significant accounting policies

The financial statements have been prepared in accordance with the Chartered Professional Accountants Canada ("CPA Canada") Public Sector Accounting Handbook, which sets out generally accepted accounting standards for government not-for-profit organizations in Canada. The Institute has chosen to use the standards for not-for-profit organizations that include Section PS 4200 to PS 4270 The significant accounting policies are summarized below.

Use of estimates

The preparation of the Institute's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Accounts requiring significant estimates and assumptions are certain accrued liabilities and amortization expense, which is based on the estimated useful lives of capital assets.

Revenue recognition

Grants and donations

The Institute follows the deferral method of accounting for contributions, which include grants. Unrestricted contributions are recorded as revenue when received or receivable if the amount to be received can be reasonably be estimated and collection is reasonably assured. Externally restricted contributions are initially deferred when recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized. Contributions externally restricted for capital assets are recorded as deferred capital contributions and are amortized to operations on the same basis as the related asset is amortized.

Training and rental revenue

Training and rental revenue are recorded in the financial statements when earned through the provision of service and the passage of time, respectively.

Capital assets

Capital assets are recorded at cost and are amortized over their useful lives on the straight-line basis. The Institute uses the following annual amortization rates:

Buildings	2.5%
Equipment	10% to 20%

2. Significant accounting policies (continued)

Financial instruments

The Institute's financial assets are comprised of cash and accounts receivable. Financial liabilities are comprised of bank indebtedness, accounts payable and accrued liabilities. Other balances noted on the Statement of financial position, such as prepaid expenses, capital assets, deferred capital contributions, and deferred contributions, are not financial instruments.

Financial assets and financial liabilities are initially recognized at fair value when the Institute becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except for equities quoted in active markets, which are carried at fair value, if any. Any subsequent changes in fair value are recorded in the Statement of remeasurement gains and losses.

The fair value of investments, as applicable, is determined directly from published price quotations in an active market.

Any transaction costs are expensed as incurred.

First time adoption of accounting standards for government not-for-profit organizations and change in accounting policy

First-time adoption of accounting standards for government not-for-profit organizations

Effective April 1, 2017, the Institute has adopted Public Sector Accounting Standards ("PSAS") of the CPA Canada's Public Sector Accounting Handbook in order to harmonize its accounting policies with those used by the Hospital. The Hospital follows CPA Canada's Public Sector Handbook using standards for not-for-profit organizations that include Section PS 4200 to PS 4270.

Change in accounting policy

Effective April 1, 2017, the Institute has changed its policy for accounting for contributions from the restricted fund method to the deferral method of accounting. There was no material impact resulting from this change in accounting policy other than a reallocation of net assets in the amount of $105,433 between invested in capital asset and unrestricted net assets as at April 1, 2016.

Opening Statement of financial positions

In preparing its opening Statement of financial position as at April 1, 2016 (the "Transition Date"), the Institute has applied Section 2125, First time Adoption by Government Organizations. The accounting policies that the Institute has used in the preparation of its opening Statement of financial position have not resulted in any adjustments to balances which were presented in the statement of financial position prepared in accordance with Canadian accounting standards for not-for-profit organizations under Part III of the CPA Canada's Handbook, using the restricted fund method of accounting for contributions. There was no impact to the Institute's net assets at the Transition Date using the transitional provisions set out in PS 2125.

New accounting pronouncements

During the year, the Institute adopted the new accounting standards PS 2200, related party disclosures, and PS 3420 inter-entity transactions. These new standards are effective for fiscal years beginning on or after April 1, 2017.PS 2200 defines a related party and establishes disclosures required for related party transactions.PS 3420 establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. The change in accounting policy was applied on a retroactive basis and did not have any impact on the financial statements.

3. Line of credit

The Institute has an operating line of credit in the amount of $100,000. The line of credit bears interest at the prime rate, is secured by all assets of the Institute and is payable on demand. As at March 31, 2018 the Institute had no amount outstanding relating to this line of credit (March 31, 2017 (unaudited) - $67,105; $62,202 in April 1, 2016 (unaudited)).

4. Capital assets

	March 31, 2018	March 31, 2017	April 1, 2016
	$	$ (Unaudited)	$ (Unaudited)
Cost			
Buildings	**3,046,868**	3,046,868	3,046,868
Equipment	**709,316**	709,316	709,316
Construction-in-progress	**299,629**	—	—
	4,055,813	3,756,184	3,756,184
Accumulated amotization			
Building	**2,118,409**	2,042,238	1,966,065
Equipment	**666,740**	647,841	628,944
	2,785,149	2,690,079	2,595,009
Total capital assets, net	**1,270,664**	1,066,105	1,161,175

Construction-in-progress relates to certain enhancements at the Maitland Street property that were not completed at year end and hence no amortization expense was incurred.

5. Deferred contributions

The continuity of the deferred contributions account is as follows:

	March 31, 2018	March 31, 2017	April 1, 2016
	$	$ (Unaudited)	$ (Unaudited)
Balance, beginning of year	**306,485**	238,296	381,363
Amounts received during the year	**916,204**	715,926	890,952
Amounts recognized as revenue during the year	**(960,338)**	(647,737)	(1,034,019)
Balance, end of year	**262,351**	306,485	238,296

6. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of externally restricted contributions received for the purchase of capital assets. Changes in the deferred capital contributions balance are as follows:

	March 31, 2018	March 31, 2017	April 1, 2016
	$	$ (Unaudited)	$ (Unaudited)
Balance, beginning of year	**—**	—	—
Amounts received during the year	**292,991**	—	—
Amounts recognized as revenue during the year	**—**	—	—
Balance, end of year	**292,991**	—	—

7. Internally restricted net assets

Internally restricted net assets represent capital assets funded using internal resources.

8. Related party information

SickKids Centre for Community Mental Health

The Institute and the SickKids Centre for Community Mental Health (the "Centre") have the same Board of Trustees. The Centre is a mental health centre serving infants, children, youth and families. The Centre is registered with Canada Revenue Agency as a charitable organization.

Balances and transactions between the Institute and the Centre are disclosed below.

During the year, $184,364 ($158,555 in 2017 (unaudited)) was received from the Centre for office rent, of which, $68,253 (nil in March 31, 2017 (unaudited)) is included in accounts receivable from the Centre.

As at March 31, 2018, the Institute owed the Centre $206,563 ($5,248 in March 31, 2017 (unaudited)); $89,159 in April 1, 2016 (unaudited)) relating to utilities and facilities expense that the Centre paid on its behalf.

The Hospital for Sick Children Foundation

The Institute has an economic interest in the SickKids Foundation. The SickKids Foundation receives, accumulates and distributes funds and/or the income therefrom for the benefit of the Hospital for Sick Children, any other hospital, university, medical association, foundation or person, in respect of medical research and other activities related to the health of children, including the Institute. During the year, $322,290 (nil in 2017 (unaudited)) was granted to the Institute from SickKids Foundation, which is held as an amount receivable from the Hospital for Sick Children.

The Hospital for Sick Children

As disclosed in Note 1, the Hospital has governance and operational oversight of the Institute. Designated officers of the Hospital serve as the only voting members on the Institute's Board of Trustees. The Hospital is a Canadian public hospital dedicated to advancing children's health through the integration of patient care, research and education.

8. Related party information (continued)

The Hospital for Sick Children (continued)

The Hospital and the Institute entered into a managed service agreement whereby the Hospital has agreed to provide core administrative services to the Institute in exchange for a service fee. During the year, $73,577 (nil in 2017 (unaudited)) was paid to the Hospital under the managed service agreement, of which $59,981(nil in 2017 (unaudited)) is included in accounts payable to the Hospital.

As of March 31, 2018, the Hospital owed the Institute $322,290 (nil in March 31, 2017 (unaudited)); nil in April 1, 2016 (unaudited) - $Nil) for SickKids Foundation funding that has not yet been transferred to the Institute and the Institute owes the Hospital $2,380 (nil in 2017 (unaudited)) for expenses paid for by the Hospital on behalf of the Institute.

The Hincks-Dellcrest Foundation

The Hincks-Dellcrest Foundation was established to raise and maintain funds and to use those funds to support and promote the activities of the Centre and the Institute. The Hincks-Dellcrest Foundation was dissolved during the year. During 2017, grants in the amount of $18,000 were received from the Hincks-Dellcrest Foundation of which $11,957 was included in deferred contributions; additionally, $14,135 was received for office rent.

9. Guarantees

Indemnity has been provided to all trustees and/or officers of the Institute for various items including, but not limited to, all costs to settle suits or actions due to their association with the Institute, subject to certain restriction. The Institute has purchased Directors' and Officers' liability insurance to mitigate the cost of any potential future suits or actions. The maximum amount of any potential future payment cannot be reasonably estimated.

10. Pension plan

The Institute participates in a defined contribution pension plan administrated by the Centre. The amount recorded in expense for contributions made to the pension plan is $6,680 ($9,923 in 2017 (unaudited)).

11. Commitments

The Institute has lease commitments in the following annual amounts for office equipment, which expire in December 2019:

	$
2019	3,859
2020	1,929
	5,788

12. Statement of Remeasurement gains and losses

A statement of remeasurement gains and losses is not presented as there were no unrealized gains/losses to report for the year ended March 31, 2018 and March 31, 2017.