

Financial statements of

**The Hincks-Dellcrest  
Treatment Centre**

March 31, 2017

# The Hincks-Dellcrest Treatment Centre

March 31, 2017

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## Independent Auditor's Report

To the Board of Trustees of  
The Hincks-Dellcrest Treatment Centre

We have audited the accompanying financial statements of The Hincks-Dellcrest Treatment Centre (the "Centre"), which comprise the statement of financial position as at March 31, 2017, and the statements of revenue and expenses, changes in fund balances, 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 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.

### **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 Centre as at March 31, 2017 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

*Deloitte LLP*

Chartered Professional Accountants,  
Licensed Public Accountants  
May 31, 2017

# The Hincks-Dellcrest Treatment Centre

## Statement of financial position as at March 31, 2017

	2017				2016			
	Operating Fund	Special Projects Fund	Capital Fund	Total	Operating Fund	Special Projects Fund	Capital Fund	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Assets</b>								
Current assets								
Cash	468,667	573,292	1,618,824	2,660,783	649,154	462,748	1,411,715	2,523,617
Short-term investments (Note 3)	-	-	532,230	532,230	-	-	526,023	526,023
Accounts receivable	101,647	147,048	2,181	250,876	179,057	121,332	3,451	303,840
Prepaid expenses	38,516	2,186	-	40,702	107,632	2,804	-	110,436
Due from The Hincks-Dellcrest Institute	5,248	-	-	5,248	89,159	-	-	89,159
Due from The Hincks-Dellcrest Foundation	-	-	-	-	2,740	-	-	2,740
Interfund balances	(1,874,002)	401,595	1,472,407	-	(2,630,753)	906,589	1,724,164	-
	<b>(1,259,924)</b>	<b>1,124,121</b>	<b>3,625,642</b>	<b>3,489,839</b>	<b>(1,603,011)</b>	<b>1,493,473</b>	<b>3,665,353</b>	<b>3,555,815</b>
Long-term								
Accrued pension asset (Note 5)	2,517,008	-	-	2,517,008	1,684,080	-	-	1,684,080
Capital assets (Note 4)	-	-	2,858,896	2,858,896	-	-	2,732,210	2,732,210
	<b>1,257,084</b>	<b>1,124,121</b>	<b>6,484,538</b>	<b>8,865,743</b>	<b>81,069</b>	<b>1,493,473</b>	<b>6,397,563</b>	<b>7,972,105</b>
<b>Liabilities</b>								
Current liabilities								
Accounts payable and accrued liabilities (Note 14)	1,209,116	320,576	27,345	1,557,037	738,784	149,085	24,812	912,681
Accrued vacation pay (Note 6)	31,320	-	-	31,320	67,477	-	-	67,477
Deferred revenue	-	-	-	-	3,750	-	-	3,750
	<b>1,240,436</b>	<b>320,576</b>	<b>27,345</b>	<b>1,588,357</b>	<b>810,011</b>	<b>149,085</b>	<b>24,812</b>	<b>983,908</b>
<b>Fund balances</b>								
Invested in capital assets	-	-	2,858,896	2,858,896	-	-	2,732,210	2,732,210
Externally restricted funds (Note 7)	99,814	743,727	-	843,541	99,814	885,872	-	985,686
Internally restricted funds (Note 8)	-	59,818	3,598,297	3,658,115	-	458,516	3,640,541	4,099,057
Unrestricted funds	(83,166)	-	-	(83,166)	(828,756)	-	-	(828,756)
	<b>16,648</b>	<b>803,545</b>	<b>6,457,193</b>	<b>7,277,386</b>	<b>(728,942)</b>	<b>1,344,388</b>	<b>6,372,751</b>	<b>6,988,197</b>
	<b>1,257,084</b>	<b>1,124,121</b>	<b>6,484,538</b>	<b>8,865,743</b>	<b>81,069</b>	<b>1,493,473</b>	<b>6,397,563</b>	<b>7,972,105</b>

Approved by the Board

\_\_\_\_\_ Trustee

\_\_\_\_\_ Trustee

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

# The Hincks-Dellcrest Treatment Centre

## Statement of revenue and expenses year ended March 31, 2017

	2017				2016			
	Operating Fund	Special Projects Fund	Capital Fund	Total	Operating Fund	Special Projects Fund	Capital Fund	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>								
Government funding (Note 9)	11,318,354	1,024,585	298,893	12,641,832	11,571,222	992,782	679,090	13,243,094
United Way	53,760	253,344	-	307,104	53,760	259,544	-	313,304
Grants and donations (Note 10)	734	1,488,237	49,500	1,538,471	6,748	1,395,511	-	1,402,259
Recoveries/other (Note 10)	586,244	165,648	59,751	811,643	715,661	176,853	4,635	897,149
Investment income (Note 11)	-	-	24,143	24,143	1,633	-	24,332	25,965
	<b>11,959,092</b>	<b>2,931,814</b>	<b>432,287</b>	<b>15,323,193</b>	<b>12,349,024</b>	<b>2,824,690</b>	<b>708,057</b>	<b>15,881,771</b>
<b>Expenses</b>								
Residential services	3,473,852	-	-	3,473,852	4,076,577	-	-	4,076,577
Non residential services	5,580,541	-	-	5,580,541	5,700,540	-	-	5,700,540
Community support	1,185,379	-	-	1,185,379	1,235,626	-	-	1,235,626
Open custody services	-	-	-	-	205,700	-	-	205,700
Special projects	-	3,241,681	-	3,241,681	-	2,586,443	-	2,586,443
Fundraising	-	230,975	-	230,975	-	3,340	-	3,340
Administration	1,582,575	-	-	1,582,575	780,471	-	-	780,471
Amortization	-	-	307,827	307,827	-	-	231,580	231,580
Renovation, building and other	-	-	49,919	49,919	-	-	-	-
	<b>11,822,347</b>	<b>3,472,656</b>	<b>357,746</b>	<b>15,652,749</b>	<b>11,998,914</b>	<b>2,589,783</b>	<b>231,580</b>	<b>14,820,277</b>
<b>Excess (deficiency) of revenue over expenses for the year</b>								
	<b>136,745</b>	<b>(540,842)</b>	<b>74,541</b>	<b>(329,556)</b>	<b>350,110</b>	<b>234,907</b>	<b>476,477</b>	<b>1,061,494</b>

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

# The Hincks-Dellcrest Treatment Centre

## Statement of changes in fund balances year ended March 31, 2017

	2017					2016				
	Invested in capital assets	Externally restricted	Internally restricted	Unrestricted	Total	Invested in capital assets	Externally restricted	Internally restricted	Unrestricted	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Fund balances, beginning of year</b>	<b>2,732,210</b>	<b>985,686</b>	<b>4,099,057</b>	<b>(828,756)</b>	<b>6,988,197</b>	2,200,672	654,584	4,244,798	359,838	7,459,892
(Deficiency) excess of revenue over expenses	(307,827)	(142,145)	(16,329)	136,745	(329,556)	(231,580)	331,102	611,862	350,110	1,061,494
Interfund transfers	-	-	9,900	(9,900)	-	-	-	5,515	(5,515)	-
Purchases of capital assets	434,513	-	(434,513)	-	-	763,118	-	(763,118)	-	-
Remeasurement of accrued pension asset	-	-	-	618,745	618,745	-	-	-	(1,533,189)	(1,533,189)
<b>Fund balances, end of year</b>	<b>2,858,896</b>	<b>843,541</b>	<b>3,658,115</b>	<b>(83,166)</b>	<b>7,277,386</b>	2,732,210	985,686	4,099,057	(828,756)	6,988,197

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

# The Hincks-Dellcrest Treatment Centre

## Statement of cash flows year ended March 31, 2017

	2017	2016
	\$	\$
<b>Operating activities</b>		
(Deficiency) excess of revenue over expenses	(329,556)	1,061,494
Items not involving cash		
Amortization	307,827	231,580
Accrued pension asset (net of remeasurements of (\$618,745) (2016 - \$1,533,189))	(214,183)	(280,853)
Unrealized (gain) loss on investments (Note 11)	(1,207)	15,757
	(237,119)	1,027,978
Changes in non cash working capital balances		
Accounts receivable and due from The Hincks-Dellcrest Institute and The Hincks-Dellcrest Foundation	139,615	777,320
Prepaid expenses	69,734	(57,168)
Accounts payable and accrued liabilities and due to The Hincks-Dellcrest Institute	470,780	(1,400,091)
Accrued vacation pay	(36,157)	(65,191)
Deferred revenue	(3,750)	-
	403,103	407,848
<b>Investing activities</b>		
Purchase of investments	(526,000)	(521,000)
Proceeds from sale of investments	521,000	1,500,000
Purchases of capital assets (net of change in accounts payable related to capital asset additions of \$173,576 (2016 - \$266,014))	(260,937)	(497,104)
	(265,937)	481,896
Net cash inflow	137,166	889,744
Cash, beginning of year	2,523,617	1,633,873
<b>Cash, end of year</b>	<b>2,660,783</b>	<b>2,523,617</b>

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



# The Hincks-Dellcrest Treatment Centre

## Notes to the financial statements

March 31, 2017

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### 1. Description of operations

The Hincks-Dellcrest Treatment Centre (the "Centre") is a mental health centre serving infants, children and youth with a wide range of emotional and/or behavioural problems, and their families. Prevention and early intervention, and treatment services are major activities of the Centre.

In affiliation with the University of Toronto and other centres of higher education, training is provided to students in all major mental health disciplines.

On November 8, 2016, the Centre and The Hospital for Sick Children (the "Hospital") entered into a memorandum of understanding whereby, effective February 1, 2017, the Hospital has governance and operational oversight of the Centre.

The Centre 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 Canadian accounting standards for not-for-profit organizations under Part III of the Chartered Professional Accountants Canada ("CPA Canada") Handbook, using the restricted fund method of reporting restricted contributions. Restricted contributions for which there are no restricted funds are deferred and recorded as revenue when the related expense occurs.

#### *Funds*

The financial statements separately disclose the activities of the following funds maintained by the Centre:

Operating Fund - reflecting the activities associated with program delivery and the administrative activities of the Centre. All revenues received and expenses incurred for these purposes, together with all general funding received, are reflected in this fund.

Special Projects Fund - reflecting the activities relating to research and development of new projects and programs, and fee-for-service contracts.

Capital Fund - reflecting the activities relating to the Centre's capital asset requirements, funded by grants, donations, sale of property, and interest earned.

#### *Capital assets*

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

Buildings	2½% and 5%
Furniture, equipment and computers	5%, 10% and 20%, respectively
Vehicles	20%

#### *Financial instruments*

The Centre's financial assets are comprised of cash, short-term investments, accounts receivable, and due from The Hincks-Dellcrest Institute and The Hincks-Dellcrest Foundation; financial liabilities are comprised of accounts payable and accrued liabilities, and accrued vacation pay. Other accounts noted on the Statement of financial position, such as prepaid expenses, capital assets and deferred revenue are not financial instruments.

Financial assets and financial liabilities are initially recognized at fair value when the Centre 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 required to be carried at fair value. The Centre has elected to use the fair value option to measure its fixed income investments. Any subsequent changes in fair value are recorded in the Statement of revenue and expenses.

# The Hincks-Dellcrest Treatment Centre

## Notes to the financial statements

March 31, 2017

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### 2. Significant accounting policies (continued)

#### *Financial instruments (continued)*

The fair value of investments is determined directly from published price quotations in an active market. The fair value of investments not quoted in an active market, such as Guaranteed Investment Certificates ("GICs"), approximates their carrying value due to their short-term nature. Any transaction costs are expensed as incurred.

#### *Accrued pension asset/obligation*

The Centre accrues for its obligations under employee benefit plans and the related costs, net of plan assets. The Centre has adopted the following policies:

- The cost of pension benefits earned by employees is actuarially determined using the projected unit credit benefit method prorated on services. Under this method, members' projected pensions at retirement age are apportioned into units of pension to be funded over their years of credited service.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
- Actuarial gains and losses are included in the Statement of changes in fund balances.
- An actuarial valuation for funding purposes is used to determine the Centre's accrued pension asset/obligation.

#### *Revenue recognition*

#### Grants and donations

Unrestricted and restricted grants and donations are recorded as revenue in the appropriate Fund(s) when earned and/or received, respectively.

#### *Recoveries and other*

Recoveries/other revenue are recorded in the financial statements when earned.

#### *Allocation of expenses*

Certain general support expenses are allocated to programs and functions based on a percentage of space occupied or estimated usage of resources. Such allocations are reviewed regularly by the Centre's management.

#### *Use of estimates*

The preparation of the Centre's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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, amortization expense and the accrued pension asset/obligation.

#### *Change in accounting framework effective April 1, 2017*

Effective April 1, 2017, the Centre will adopt Public Sector Accounting Standards ("PSAS") 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.

For the Centre, the most significant difference between Part III and PSAS relates to the measurement of the net pension asset/liability and the related pension expense for its defined benefit pension plan. The difference is related to certain assumptions, the primary item being the discount rate, the accounting for actuarial gains (losses) and the presentation in the financial statements.

# The Hincks-Dellcrest Treatment Centre

## Notes to the financial statements

March 31, 2017

### 2. Significant accounting policies (continued)

#### *Change in accounting framework effective April 1, 2017 (continued)*

Although the change in control of the Centre by the Hospital was effective February 1, 2017, for practical reasons management has decided that the Centre will transition to the new accounting framework (PSAS) effective April 1, 2017.

### 3. Short-term investments

Investments, which are recorded at fair value, consist of fixed income investments with a cost of \$526,000 (2016 - \$521,000) and maturity date of April 19, 2017 (2015 - April 14, 2016) and bearing interest at 1.25% (2016 - 1.0%).

### 4. Capital assets

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	341,315	-	341,315	341,315
Buildings	3,385,983	2,576,968	809,015	899,418
Furniture, equipment and computers	3,558,805	1,896,418	1,662,387	1,491,477
Vehicles	109,149	62,970	46,179	-
	<b>7,395,252</b>	<b>4,536,356</b>	<b>2,858,896</b>	<b>2,732,210</b>

The Centre has agreed that in the event of the sale of two of its properties, amounts of \$534,879 and \$678,101, respectively, from the proceeds of any such sale would be remitted to the Province of Ontario.

### 5. Accrued pension asset

The Centre maintains a registered defined benefit pension plan, which includes a defined contribution component, covering substantially all of its employees. The plan provides pensions based on length of service and final average earnings. The last actuarial valuation on the defined benefit plan for funding purposes was as at December 31, 2013, and the valuation indicated that the plan had a deficit of \$31,900 on a going-concern basis and a deficit of \$542,600 on a solvency basis. An actuarial valuation for funding purposes was completed as at December 31, 2013 and extrapolated to March 31, 2015, March 31, 2016 and March 31, 2017.

Information about the Centre's defined benefit plan is as follows:

	2017	2016
	\$	\$
Funded status		
Accrued benefit obligation	(18,565,397)	(18,959,292)
Fair value of plan assets	21,082,405	20,643,372
Accrued pension asset	<b>2,517,008</b>	<b>1,684,080</b>

# The Hincks-Dellcrest Treatment Centre

## Notes to the financial statements

March 31, 2017

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### 5. Accrued pension asset (continued)

Details of the accrued benefit obligation are as follows:

	2017	2016
	\$	\$
Accrued benefit obligation, beginning of year	18,959,292	18,899,434
Current service cost, net of employee contributions	138,237	200,648
Contributions - employees	24,628	35,747
Interest cost on obligation	963,993	974,418
Benefit payments	(1,520,753)	(1,150,955)
Accrued benefit obligation, end of year	18,565,397	18,959,292

The plan expense for the year is determined as follows:

	2017	2016
	\$	\$
Current service cost, net of employee contributions	138,237	200,648
Interest cost on obligation	963,993	974,418
Interest income on plan assets	(1,051,459)	(1,125,774)
Administration expenses	1,958	1,876
Plan expense	52,729	51,168

The significant actuarial assumptions adopted in measuring the Centre's accrued benefit obligation are as follows:

	2017	2016
	%	%
Discount rate	5.25	5.25
Expected long-term rate of return on plan assets	5.25	5.25
Rate of compensation increase	3.00	3.00

The amount recorded in expense for the defined contribution portion of the pension plan is \$215,377 (2016 - \$246,364).

The amount recorded in expense by the Centre for actuarial, audit and filing fees is \$42,802 (2016 - \$46,256).

### 6. Accrued vacation pay

The unrestricted fund includes a vacation pay deficiency of \$31,320 (2016 - \$67,477). The Centre records vacation pay expense on the accrual basis of accounting. The Centre's major funder (the Ministry of Children and Youth Services), funds vacation pay when it is paid. The vacation pay deficiency, therefore, represents the unpaid portion of the vacation pay entitlements earned by the Centre's employees up to the end of the year.

# The Hincks-Dellcrest Treatment Centre

## Notes to the financial statements

March 31, 2017

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### 7. Externally restricted

#### a) Operating Fund

The externally restricted amount within the Operating Fund is made up of the following:

\$50,000 (2016 - \$50,000) which has been funded by the Ministry of Children and Youth Services (the "Ministry") and may only be used with the approval of the Ministry.

\$49,814 (2016 - \$49,814) which was established as a Medical Staff Reserve Fund to fund the Centre's operations to the extent that the revenues from the Ministry of Health and Long-Term Care should fall below the amounts provided for in the annual service plan agreement between the Centre and the Ministry.

#### b) Special Projects Fund

The externally restricted amount within the Special Projects Fund represents funds for specific activities which have been received but for which the service related to those funds has not been delivered by March 31, 2017.

### 8. Internally restricted

#### a) Special Projects Fund

The Board of Trustees has internally restricted \$59,818 (2016 - \$458,516) to be used in accordance with Board policies governing these funds:

	2017	2016
	\$	\$
The Christopher Moysey Scholarship Fund	-	72,089
The Memorial Fund	-	164,991
The Tony Bennett Research Fund	-	-
The Patten Di Giacomo Fund	-	16,191
Other Funds	<b>59,818</b>	205,245
	<b>59,818</b>	458,516

#### b) Capital Fund

The Board of Trustees has internally restricted \$3,598,297 (2016 - \$3,640,541) to be used for capital requirements.

### 9. Government funding

	2017	2016
	\$	\$
Ministry of Children and Youth Services	<b>11,118,902</b>	11,549,346
Ministry of Children and Youth Services - Youth Justice	-	228,177
Ministry of Education	<b>483,000</b>	463,840
Federal grants	<b>1,039,930</b>	1,001,731
	<b>12,641,832</b>	13,243,094

# The Hincks-Dellcrest Treatment Centre

## Notes to the financial statements

March 31, 2017

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### 10. Related party information

#### *The Hincks-Dellcrest Foundation*

The Hincks-Dellcrest Foundation's (the "Foundation") was established to raise and maintain funds and to use those funds to support and promote the activities of the Centre and The Hincks-Dellcrest Institute. The Foundation is a not-for-profit organization and is a registered charity under the Income Tax Act.

On January 31, 2017, the Foundation executed an Asset Transfer Agreement with The Hospital for Sick Children Foundation (the "SickKids Foundation"). The Foundation agreed to convey, assign and transfer to the SickKids Foundation as a gift, its estate, right, title and interest in and to the Transferred Assets, and the SickKids Foundation agreed to accept the Transferred Assets, on the closing date, subject to the terms and conditions contained in the Agreement.

With respect to the funds that constitute Transferred Assets, the SickKids Foundation agrees to use the funds solely in support of child and youth community mental health, including research, evaluation, clinical care, education of staff, clients and stakeholders and populations of children and youth with mental and co-occurring medical conditions, and projects that support care pathways and tracking outcomes across care continuums inclusive of community mental health.

Subsequent to the transfer of assets to the SickKids Foundation, the Foundation is arranging for cessation of operations and its eventual dissolution.

Transactions between the Centre and Foundation are disclosed below. Balances are shown separately on the Statement of financial position.

Included in grants and donations and recoveries/other on the Statement of revenue and expenses are amounts of \$562,923 (2016 - \$384,944) and \$8,333 (2016 - \$10,000), respectively, received from the Foundation.

#### *The Hincks-Dellcrest Institute*

The Centre and The Hincks-Dellcrest Institute (the "Institute") have the same Board of Trustees. The Institute was established to sponsor and provide programs for training, research, consultation and public education in the disciplines of psychology, psychiatry, social work, childcare and related areas in children's mental health. The Institute is a not-for-profit organization and is a registered charity under the Income Tax Act.

Transactions between the Centre and Institute are disclosed below. Related party balances are shown separately on the Statement of financial position

During the year, \$158,555 (2016 - \$149,087) was paid to the Institute for office rent.

#### *The Hospital for Sick Children Foundation*

The Centre's Board members have representation on the SickKids Foundation's Board of Trustees and 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, any other hospital, university, medical association, foundation or person, in respect of medical research and other activities related to the health of children.

Transactions between the Centre and the SickKids Foundation are disclosed below. Any related party balances are shown separately on the Statement of financial position.

Included in grants and donations on the Statement of revenue and expenses are amounts of \$28,472 (2016 - \$Nil), received from the SickKids Foundation.

# The Hincks-Dellcrest Treatment Centre

## Notes to the financial statements

March 31, 2017

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### 10. Related party information (continued)

#### *The Hospital for Sick Children*

As disclosed in Note 1, the Hospital has governance and operational oversight of the Centre. Designated officers of the Hospital serve as the only voting members on the Centre'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.

Transactions between the Centre and the Hospital are disclosed below. Any related party balances are shown separately on the Statement of financial position.

During the year, \$161,179 (2016 - \$Nil) was paid to the Hospital for legal costs.

### 11. Investment income

Included in investment income is \$1,207 in unrealized gains (2016 - \$15,757 in unrealized losses) on short-term investments.

### 12. Commitments

The Centre has lease commitments in the following annual amounts for rental space and office equipment, which expire at various dates up to December 2019:

	\$
2018	46,706
2019	46,706
2020	23,353
	<hr/> 116,765

### 13. Credit facilities

The Centre has an operating line of credit in the amount of \$500,000. The line bears interest at the prime rate, is secured by all assets of the Centre and is payable on demand. As at March 31, 2017 and 2016, the Centre has no amount outstanding related to this credit facility.

### 14. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include \$13,362 (2016 - \$591) with respect to government remittances.

### 15. Guarantees

Indemnity has been provided to all trustees and/or officers of the Centre for various items including, but not limited to, all costs to settle suits or actions due to their association with the Centre, subject to certain restrictions. The Centre has purchased trustees' 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.

### 16. Contingencies

At any point in time the Centre may be involved in various legal claims. Though the outcome of any claims as at March 31, 2017 cannot be determined with certainty, the Centre believes that their outcome will have no significant adverse impact on its financial position, operating costs or cash flows.

# The Hincks-Dellcrest Treatment Centre

## Notes to the financial statements

March 31, 2017

### 17. Allocation of expenses

The Centre allocates general support expenses recorded in the Operating Fund as follows:

	2017		
	Building occupancy	Office administration	Total
	\$	\$	\$
Residential services	24,585	38,408	62,993
Non residential services	264,370	361,446	625,816
Community support	94,413	122,187	216,600
Administration	42,596	58,005	100,601
	<b>425,964</b>	<b>580,046</b>	<b>1,006,010</b>

  

	2016		
	Building occupancy	Office administration	Total
	\$	\$	\$
Residential services	53,545	163,494	217,039
Non residential services	232,714	193,602	426,316
Community support	55,034	56,697	111,731
Open custody services	13,298	-	13,298
Administration	49,033	90,421	139,454
	<b>403,624</b>	<b>504,214</b>	<b>907,838</b>

The allocation is based on space occupied and estimated usage.

### 18. Financial instruments and risk management

The investments held by the Centre are exposed to a variety of financial risks. The Centre seeks to minimize the potential adverse effects of these risks by regularly monitoring the investment's position, market events and by diversifying the investment portfolio within the constraints of the Centre's Investment Policies.

Significant risks that are relevant to the Centre's investments are as follows:

#### *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by the Centre. The short-term interest bearing investments held by the Centre have a limited exposure to interest rate risk due to their short-term maturity. The Centre has formal policies and procedures that establish target asset mix, minimum credit ratings and varying terms of the securities held.

#### *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. As at March 31, 2017, the Centre's investments in fixed income securities are primarily with banking institutions. The Centre provides credit to its customers in the normal course of its operations and hence it carries out credit checks on its customers as required.

#### *Market risk*

Market risk arises as a result of trading in fixed income securities. Fluctuations in the market expose the Centre to a risk of loss. The Centre mitigates this risk through controls to monitor and limit concentration levels.