

# SickKids Centre for Community Mental Health

Financial statements  
March 31, 2019



# Independent auditor's report

To the Board of Trustees of  
**SickKids Centre for Community Mental Health**

## Opinion

We have audited the financial statements of **SickKids Centre for Community Mental Health** [the "Centre"], which comprise the statement of financial position as at March 31, 2019, and the statement of revenue and expenses, statement of changes in net assets, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

## Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Centre in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other matter

The financial statements of the Centre for the year ended March 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on June 20, 2018.

## Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Centre's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Centre or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Centre's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Centre's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Centre's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Centre to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Toronto, Canada  
June 26, 2019

*Ernst & Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants



# SickKids Centre for Community Mental Health

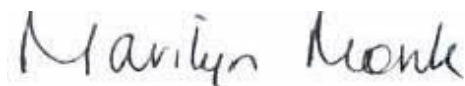
## Statement of financial position

As at March 31

	2019	2018
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash	3,104,348	2,726,109
Accounts receivable [note 10]	690,657	898,956
Prepaid expenses	32,310	30,248
<b>Total current assets</b>	<b>3,827,315</b>	<b>3,655,313</b>
Capital assets, net [note 4]	2,783,465	3,149,712
Accrued pension assets [note 5]	3,199,800	2,850,600
	<b>9,810,580</b>	<b>9,655,625</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities [note 10]	1,604,081	1,373,378
Deferred contributions [note 6]	705,720	854,658
<b>Total current liabilities</b>	<b>2,309,801</b>	<b>2,228,036</b>
Deferred capital contributions [note 7]	2,098,885	2,271,338
Long-term deferred contributions [note 6]	99,814	99,814
<b>Total liabilities</b>	<b>4,508,500</b>	<b>4,599,188</b>
Commitments [note 11]		
<b>Net assets</b>		
Internally restricted [note 8]	3,884,380	3,728,974
Unrestricted	1,417,700	1,327,463
	<b>5,302,080</b>	<b>5,056,437</b>
	<b>9,810,580</b>	<b>9,655,625</b>

See accompanying notes

Approved by the Board:



Marilyn Monk, Trustee



Laurie Harrison, Trustee

## SickKids Centre for Community Mental Health

### Statement of revenue and expenses

Year ended March 31

	2019	2018
	\$	\$
<b>Revenue</b>		
Government funding <i>[notes 6 and 9]</i>	13,119,942	13,526,024
Other grants and revenues <i>[note 6]</i>	553,361	888,487
Amortization of deferred capital contributions <i>[note 7]</i>	172,453	186,100
Interest income	22,459	25,959
	<b>13,868,215</b>	<b>14,626,570</b>
<b>Expenses</b>		
Compensation <i>[note 10]</i>	10,489,726	10,759,684
Other operating <i>[note 10]</i>	2,044,135	2,201,051
Administrative and general	722,464	970,436
Amortization	366,247	341,118
	<b>13,622,572</b>	<b>14,272,289</b>
<b>Excess of revenue over expenses for the year</b>	<b>245,643</b>	<b>354,281</b>

See accompanying notes

SickKids Centre for Community Mental Health

Statement of changes in net assets

Year ended March 31

	2019			2018		
	Internally restricted <i>[note 8]</i> \$	Unrestricted \$	Total \$	Internally restricted <i>[note 8]</i> \$	Unrestricted \$	Total \$
<b>Net assets, beginning of year</b>	<b>3,728,974</b>	<b>1,327,463</b>	<b>5,056,437</b>	3,644,215	1,057,941	4,702,156
Excess of revenue over expenses for the year	—	<b>245,643</b>	<b>245,643</b>	—	354,281	354,281
Interfund transfers	<b>155,406</b>	<b>(155,406)</b>	—	84,759	(84,759)	—
<b>Net assets, end of year</b>	<b>3,884,380</b>	<b>1,417,700</b>	<b>5,302,080</b>	3,728,974	1,327,463	5,056,437

See accompanying notes

## SickKids Centre for Community Mental Health

### Statement of cash flows

Year ended March 31

	2019	2018
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses for the year	245,643	354,281
Add (deduct) items not affecting cash		
Amortization of deferred capital contributions	(172,453)	(186,100)
Amortization	366,247	341,118
Pension benefit expense (income)	(41,400)	9,000
	<u>398,037</u>	<u>518,299</u>
Net change in non-cash working capital		
balances related to operations	288,002	(736,426)
Employer benefit contributions	(307,800)	(199,000)
<b>Cash provided by (used in) operating activities</b>	<u>378,239</u>	<u>(417,127)</u>
<b>Investing activities</b>		
Proceeds of sale of investments	—	532,230
<b>Cash provided by investing activities</b>	<u>—</u>	<u>532,230</u>
<b>Capital activities</b>		
Purchase of capital assets	—	(631,934)
<b>Cash used in capital activities</b>	<u>—</u>	<u>(631,934)</u>
<b>Financing activities</b>		
Contributions received for capital purposes	—	582,157
<b>Cash provided by financing activities</b>	<u>—</u>	<u>582,157</u>
<b>Net increase in cash during the year</b>	<b>378,239</b>	<b>65,326</b>
Cash, beginning of year	<u>2,726,109</u>	<u>2,660,783</u>
<b>Cash, end of year</b>	<u><b>3,104,348</b></u>	<u><b>2,726,109</b></u>

See accompanying notes

# SickKids Centre for Community Mental Health

## Notes to financial statements

March 31, 2019

### 1. Description of operations

SickKids Centre for Community Mental Health [the "Centre"] is a mental health centre serving infants, children, youth and families. Prevention, early intervention, treatment research and education 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.

The Hospital for Sick Children [the "Hospital"] exercises control over the Centre 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 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 the *CPA Canada Public Sector ["PS"] Accounting Handbook*, which sets out generally accepted accounting principles for government not-for-profit organizations in Canada. The Centre 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 Centre'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. Accounts requiring significant estimates and assumptions are certain accrued liabilities, the accrued pension asset and amortization, which is based on the estimated useful lives of capital assets. Accordingly, actual results could differ from those estimates.

#### Revenue recognition

The Centre 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.



# SickKids Centre for Community Mental Health

## Notes to financial statements

March 31, 2019

### 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 and building service equipment	2½% and 5%
Other equipment and systems	5% to 20%

### Financial instruments

The Centre's financial instruments, including cash, accounts receivable, accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

Unless otherwise noted, the Centre is not subject to any significant market, liquidity or credit risks.

### Accrued pension assets

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 and management's best estimate assumptions. 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 market related values whereby all investment gains and losses are recognized over five years.
- Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service of the active employees, which is 7.8 years [2018 – 8.8 years].
- An actuarial valuation for accounting purposes is used to determine the Centre's accrued pension assets.

### 3. Financial instruments and risk management

The financial instruments 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 position of its financial instruments.

#### *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. 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.

## SickKids Centre for Community Mental Health

### Notes to financial statements

March 31, 2019

#### 4. Capital assets

	2019	2018
	\$	\$
<b>Cost</b>		
Land	341,315	341,315
Buildings and building service equipment	3,888,875	3,427,723
Other equipment and systems	3,796,985	3,667,944
Construction-in-progress	—	590,193
	<u>8,027,175</u>	<u>8,027,175</u>
<b>Accumulated amortization</b>		
Buildings and building service equipment	2,777,969	2,667,371
Other equipment and systems	2,465,741	2,210,092
	<u>5,243,710</u>	<u>4,877,463</u>
<b>Total capital assets, net</b>	<u>2,783,465</u>	<u>3,149,712</u>

Construction-in-progress related to certain building enhancements at the Jarvis Street and Sheppard Avenue properties, was completed and put into service during the current year.

The Centre has agreed that in the event of the sale of two of its properties, a portion of the proceeds of any such sale would be remitted to the Province of Ontario.

#### 5. Accrued pension assets

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, 2016, and the valuation indicated that the plan had a surplus of \$521,600 on a going-concern basis and a deficit of \$2,473,000 on a solvency basis. An actuarial valuation for accounting purposes was prepared as at March 31, 2019.

## SickKids Centre for Community Mental Health

### Notes to financial statements

March 31, 2019

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

	2019	2018
	\$	\$
Accrued benefit obligation	<b>(18,252,800)</b>	(18,327,700)
Plan assets	<b>21,030,400</b>	21,157,100
	<b>2,777,600</b>	2,829,400
Employer contributions for service cost after measurement date	<b>30,500</b>	18,400
Employer contributions for special payments after measurement date	<b>139,600</b>	34,900
Employee contributions after measurement date	<b>4,500</b>	5,200
Unrecognized actuarial losses (gains)	<b>247,600</b>	(37,300)
<b>Accrued benefit assets</b>	<b>3,199,800</b>	2,850,600

The income (expense) for the year is calculated as follows:

	2019	2018
	\$	\$
Amortization of actuarial loss in the period	<b>4,700</b>	(3,300)
Expected return on plan assets	<b>1,086,300</b>	1,072,900
Current year benefit cost	<b>(110,600)</b>	(137,300)
Interest on accrued benefit obligation	<b>(939,000)</b>	(941,300)
(Income) expense for the year	<b>41,400</b>	(9,000)
Employer contributions	<b>307,800</b>	199,000
Employee contributions	<b>17,200</b>	20,300
Benefits paid	<b>1,142,400</b>	1,084,400

The significant actuarial assumptions adopted in measuring the Centre's accrued pension obligations for the defined plan are as follows:

	2019	2018
	%	%
Discount rate	<b>5.25</b>	5.25
Salary escalation	<b>3.00</b>	3.00

## SickKids Centre for Community Mental Health

### Notes to financial statements

March 31, 2019

The significant actuarial assumptions adopted in measuring the Centre's expense for the defined plan are as follows:

	<b>2019</b>	<b>2018</b>
	%	%
Discount rate	<b>5.25</b>	5.25
Expected long-term rate of return on plan assets	<b>5.25</b>	5.25
Salary escalation	<b>3.00</b>	3.00

The breakdown of plan assets held at measurement date was as follows:

	<b>2019</b>	<b>2018</b>
	%	%
Equity securities	<b>70</b>	58
Debt securities	<b>9</b>	28
Real estate	<b>9</b>	8
Other	<b>12</b>	6
	<b>100</b>	100

#### 6. Deferred contributions

Deferred contributions represent unspent resources externally restricted that are related to subsequent years. Changes in deferred contributions balances are as follows:

	<b>2019</b>	<b>2018</b>
	\$	\$
<b>Balance, beginning of year</b>	<b>954,472</b>	843,541
Amounts received during the year	<b>1,578,667</b>	2,428,616
Amounts recognized as revenue during the year	<b>(1,727,605)</b>	(2,317,685)
<b>Balance, end of year</b>	<b>805,534</b>	954,472
<b>Presented as</b>		
Short-term	<b>705,720</b>	854,658
Long-term	<b>99,814</b>	99,814
	<b>805,534</b>	954,472

## SickKids Centre for Community Mental Health

### Notes to financial statements

March 31, 2019

The long-term portion of deferred contributions is made up of the following:

- \$50,000 [2018 – 50,000] that has been funded by the Ministry of Children and Youth Services [“MCYS”] and may only be used with the approval of the MYCS.
- \$49,814 [2018 – 49,814] that 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 [“MOHLTC”] should fall below the amounts provided for in the annual service plan agreement between the Centre and the MOHLTC.

#### 7. 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:

	2019	2018
	\$	\$
<b>Balance, beginning of year</b>	<b>2,271,338</b>	1,875,281
Amounts received during the year	—	582,157
Amounts recognized as revenue during the year	<b>(172,453)</b>	(186,100)
<b>Balance, end of year</b>	<b>2,098,885</b>	2,271,338

#### 8. Internally restricted net assets

Internally restricted net assets consist of the following:

	2019	2018
	\$	\$
Capital assets internally funded	<b>684,580</b>	878,374
Accrued pension benefits	<b>3,199,800</b>	2,850,600
	<b>3,884,380</b>	3,728,974

Internally restricted net assets include funds committed for the following purposes:

- [i] Capital assets internally funded represent capital assets funded using internal resources; and
- [ii] Accrued pension benefits represent the asset recorded on the statement of financial position related to the pension plan.

## SickKids Centre for Community Mental Health

### Notes to financial statements

March 31, 2019

#### 9. Government funding

	2019 \$	2018 \$
Ministry of Children and Youth Services	11,246,641	11,113,610
Municipal government	1,247,866	1,048,353
Ministry of Education	—	362,249
Federal grants	625,435	1,001,812
	<u>13,119,942</u>	<u>13,526,024</u>

#### 10. Related party information

##### SickKids Centre for Community Mental Health Learning institute

The Centre and the SickKids Centre for Community Mental Health Learning 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* (Canada).

During the year, \$185,142 [2018 – \$184,364] was charged by the Institute for rental of offices and recorded in other operating expenses in the statement of revenue and expenses. As at March 31, 2019, the Centre owed the Institute \$253,495 [2018 – \$68,350], which is included in accounts payable.

As at March 31, 2019, the Institute owed the Centre \$328,663 [2018 – \$206,563] relating to utilities and facilities charged on its behalf. This amount is included in accounts receivable.

##### The Hospital for Sick Children Foundation

The Centre has an economic interest in the Hospital for Sick Children Foundation [the "Foundation"]. The 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, including the Centre. There were no grants received from the Foundation for year ended March 31, 2019 or 2018.

##### 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.

## SickKids Centre for Community Mental Health

### Notes to financial statements

March 31, 2019

The Hospital and the Centre entered into a managed service agreement whereby the Hospital has agreed to provide core administrative services to the Centre in exchange for a service fee. During the year, \$454,025 [2018 – \$960,809] was paid to the Hospital under the managed service agreement, of which \$185,546 [2018 – \$410,785] is included in accounts payable to the Hospital. Amounts are recorded in compensation and other operating expenses in the statement of revenue and expenses.

As at March 31, 2019, the Centre owed the Hospital \$546,198 [2018 – \$168,158] for expenses charged on behalf of the Centre. This amount is included in accounts payable.

#### 11. 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:

	\$
2020	<u>21,662</u>

#### 12. 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, 2019 and March 31, 2018, the Centre has no amount outstanding related to this credit facility.

#### 13. Comparative financial statements

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2019 financial statements.