

**The Women's Auxiliary of the Hospital  
for Sick Children**

**Financial Statements**

**For the year ended January 31, 2019**



## INDEPENDENT AUDITOR'S REPORT

### To the Members of The Women's Auxiliary of the Hospital for Sick Children

#### *Qualified Opinion*

We have audited the financial statements of The Women's Auxiliary of the Hospital for Sick Children, (the Auxiliary), which comprise the statement of financial position as at January 31, 2019 and the statements of income and expenses and changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Auxiliary as at January 31, 2019, and results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

#### *Basis for Qualified Opinion*

In common with many charitable organizations, the Auxiliary derives revenue from donations and other fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Auxiliary and we were not able to determine whether any adjustments might be necessary to donation and other fundraising revenues, excess of income over expenses, and cash flows from operations for the year ended January 31, 2019, current assets as at January 31, 2019 and fund balances as at January 31, 2019 and February 1, 2018.

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 Auxiliary 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 qualified opinion.

#### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The annual report is expected to be made available to us after the date of this auditor's report. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

#### *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 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.

In preparing the financial statements, management is responsible for assessing the Auxiliary'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 Auxiliary or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Auxiliary'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 Auxiliary'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 Auxiliary'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 Auxiliary 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 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.

RSM Canada LLP

Chartered Professional Accountants  
Licensed Public Accountants  
April 24, 2019  
Toronto, Ontario

**The Women's Auxiliary of the Hospital for Sick Children**  
**Statement of Financial Position**  
**As at January 31, 2019**

	The 5 Fifty 5 Shop	Projects Fund	General Fund	Total 2019	Total 2018
<b>Assets</b>					
<b>Current</b>					
Cash	\$ 53,291	\$ -	\$ 147,193	\$ 200,484	\$ 150,703
Short-term investments (Note 3)	622,976	-	-	622,976	600,000
Interfund balances	-	53,158	(53,158)	-	-
Amounts receivable	4,300	-	-	4,300	2,652
Inventory	211,324	-	-	211,324	201,405
Prepaid expenses	4,656	-	-	4,656	280
	896,547	53,158	94,035	1,043,740	955,040
<b>Capital assets (Note 5)</b>	<b>4,097</b>	<b>-</b>	<b>-</b>	<b>4,097</b>	<b>6,730</b>
	<b>\$ 900,644</b>	<b>\$ 53,158</b>	<b>\$ 94,035</b>	<b>\$ 1,047,837</b>	<b>\$ 961,770</b>

**Liabilities**

**Current**

Accounts payable and accrued liabilities (Note 4)	\$ 46,470	\$ -	\$ 27,629	\$ 74,099	\$ 50,570
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**Fund balances**

Invested in capital assets	4,097	-	-	4,097	6,730
Other	850,077	53,158	66,406	969,641	904,470
	854,174	53,158	66,406	973,738	911,200
	<b>\$ 900,644</b>	<b>\$ 53,158</b>	<b>\$ 94,035</b>	<b>\$ 1,047,837</b>	<b>\$ 961,770</b>

**Commitments (Note 7)**

Approved by the Board

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**The Women's Auxiliary of the Hospital for Sick Children**  
**Statement of Income and Expenses and Changes in Fund Balances**  
**Year ended January 31, 2019**

	The 5 Fifty 5 Shop	Projects Fund	General Fund	Total 2019	Total 2018
(Page 8)					
<b>Income</b>					
Excess of income over expenses	\$ 606,897	\$ -	\$ -	\$ 606,897	\$ 576,323
Donations	-	31,944	15,406	47,350	112,331
Distribution from funds held by Sick Kids Foundation (SKF)	-	265,422	-	265,422	51,634
Endowment distributions from funds held by SKF	-	33,481	-	33,481	37,622
Life memberships	-	-	150	150	-
Membership fees	-	-	3,660	3,660	3,230
Interest income	-	-	3,989	3,989	-
Other	-	-	12,804	12,804	10,320
	<b>606,897</b>	<b>330,847</b>	<b>36,009</b>	<b>973,753</b>	<b>791,460</b>
<b>Expenses</b>					
Audit and legal	-	-	6,621	6,621	6,621
Catering and meetings	-	-	11,053	11,053	15,999
Miscellaneous	-	-	3,740	3,740	258
Office supplies	-	-	2,525	2,525	2,388
	-	-	23,939	23,939	25,266
<b>Excess of income over expenses before undernoted</b>	<b>606,897</b>	<b>330,847</b>	<b>12,070</b>	<b>949,814</b>	<b>766,194</b>
<b>Deduct payments to</b>					
Hospital Projects					
Play Park and Patient Amenities funds	-	800,000	-	800,000	800,000
General	-	55,061	-	55,061	22,654
Bravery Beads	-	15,581	-	15,581	10,818
Other	-	-	-	-	805
Foundation fee	-	16,634	-	16,634	17,984
	-	887,276	-	887,276	852,261
<b>Excess (deficiency) of income over expenses</b>	<b>606,897</b>	<b>(556,429)</b>	<b>12,070</b>	<b>62,538</b>	<b>(86,067)</b>
<b>Interfund transfers (Note 6)</b>	<b>(579,134)</b>	<b>576,000</b>	<b>3,134</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>27,763</b>	<b>19,571</b>	<b>15,204</b>	<b>62,538</b>	<b>(86,067)</b>
<b>Fund balances, beginning of year</b>	<b>826,411</b>	<b>33,587</b>	<b>51,202</b>	<b>911,200</b>	<b>997,267</b>
<b>Fund balances, end of year</b>	<b>\$ 854,174</b>	<b>\$ 53,158</b>	<b>\$ 66,406</b>	<b>\$ 973,738</b>	<b>\$ 911,200</b>

**The Women's Auxiliary of the Hospital for Sick Children**  
**Statement of Cash Flows**  
**Year ended January 31, 2019**

	The 5 Fifty 5 Shop	Projects Fund	General Fund	Total 2019	Total 2018
<b>Cash provided by (used in)</b>					
<b>Operations</b>					
Excess (deficiency) of income over expenses	\$ 606,897	\$ (556,429)	\$ 12,070	\$ 62,538	\$ (86,067)
Item not affecting cash					
Amortization	2,633	-	-	2,633	3,009
	<b>609,530</b>	<b>(556,429)</b>	<b>12,070</b>	<b>65,171</b>	<b>(83,058)</b>
Net changes in non-cash operating assets and liabilities					
Amounts receivable	(1,648)	-	-	(1,648)	835
Inventory	(9,919)	-	-	(9,919)	(26,823)
Prepaid expenses	(4,376)	-	-	(4,376)	1,762
Accounts payable and accrued liabilities	511	-	23,018	23,529	8,380
	<b>594,098</b>	<b>(556,429)</b>	<b>35,088</b>	<b>72,757</b>	<b>(98,904)</b>
<b>Investing</b>					
Purchase of investments	(785,904)	-	-	(785,904)	(1,450,000)
Proceeds on sale of investments	762,928	-	-	762,928	1,550,035
	<b>(22,976)</b>	<b>-</b>	<b>-</b>	<b>(22,976)</b>	<b>100,035</b>
<b>Financing</b>					
Interfund transfers	(579,134)	556,429	22,705	-	-
<b>Net change in cash</b>	<b>(8,012)</b>	<b>-</b>	<b>57,793</b>	<b>49,781</b>	<b>1,131</b>
<b>Cash, beginning of year</b>	<b>61,303</b>	<b>-</b>	<b>89,400</b>	<b>150,703</b>	<b>149,572</b>
<b>Cash, end of year</b>	<b>\$ 53,291</b>	<b>\$ -</b>	<b>\$ 147,193</b>	<b>\$ 200,484</b>	<b>\$ 150,703</b>

**1. PURPOSE OF THE ORGANIZATION**

The Women's Auxiliary of the Hospital for Sick Children, Toronto (the "Auxiliary") is a service organization within The Hospital For Sick Children (the "Hospital") which supports and compliments the staff of the Hospital in providing care and concern for the patients and their families. The Auxiliary raises funds to facilitate projects within the Hospital for which funding is lacking.

The Auxiliary is a registered charity which is exempt from income taxes under the Income Tax Act provided certain disbursement requirements are met.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant for the Auxiliary.

**Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the year. Actual results could differ from those estimates.

Significant estimates are made in respect of the determination of the valuation of inventory.

**Revenue Recognition**

The Auxiliary follows the restricted fund method of accounting for donations and endowments. Donation revenue is recognized when received.

Revenue from The 5 Fifty 5 Shop sales is recognized when title to the goods is transferred to customers, the selling price is fixed and determinable and collectibility is reasonably assured.

Investment income is included in income when received or deemed receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

**Description of the Funds**

**The 5 Fifty 5 Shop**

The 5 Fifty 5 Shop operates a volunteer-run gift shop within the Hospital to generate funds which are primarily allocated to the Projects Fund.

**Projects Fund**

The Projects Fund receives funds from The 5 Fifty 5 Shop, distributions from the Hospital for Sick Children Foundation (the "Foundation"), endowments held specifically for the Auxiliary, specific donations and fundraising which are to be expended on approved projects within the Hospital.



**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Description of the Funds (Cont'd)**

**General Fund**

The General Fund records unrestricted donations, membership fees, investment and other income which is used to cover the administration costs of the Auxiliary.

**Contributed Services**

Volunteers contribute an undeterminable, but substantial number of hours during the year to assist the Auxiliary in carrying out its mission. Because of the difficulty in determining their fair value, contributed services are not recognized in these financial statements.

**Inventory**

Inventory is valued at the lower of cost and net realizable value, with cost determined on the first-in, first-out basis.

**Capital Assets**

Capital assets are recorded at cost and are amortized on a straight-line basis at the following rates:

Computer equipment	-	5 years
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Capital assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Impaired assets are written down to fair value.

**Financial instruments**

The Auxiliary initially measures its financial assets and liabilities at fair value. The Auxiliary subsequently measures its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include short-term investments and amounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial assets measured at cost or amortized cost are tested for impairment when there are indicators of impairment. The amount of a write-down, if any, is recognized in the excess of income over expenses. Reversals of impairment are recorded to the extent that the value has increased, up to the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of a reversal is recognized in excess of income over expenses.

**Donation Commitments**

The Auxiliary recognizes the liability for donation commitments when there is an obligation to pay the donee and there are no conditions or a future event that the commitment is contingent upon.

**The Women's Auxiliary of the Hospital for Sick Children**  
**Notes to Financial Statements**  
**January 31, 2019**

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**3. SHORT-TERM INVESTMENTS**

Short-term investments consist of high interest savings accounts and guaranteed investment certificates. The guaranteed investment certificates mature between June 14, 2019 and December 14, 2019 and bear interest at rates between 2.25% and 2.72%.

**4. GOVERNMENT REMITTANCES**

Included in accounts payable and accrued liabilities is \$33,969 (2018 - \$32,949) relating to HST payable.

**5. CAPITAL ASSETS**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net 2019</b>	<b>Net 2018</b>
Computer equipment	\$ 99,701	\$ 95,604	\$ 4,097	\$ 6,730

During the year, the Auxiliary acquired capital assets in the amount of \$Nil (2018 - \$Nil).

**6. INTERFUND TRANSFERS**

	<b>The 5 Fifty 5 Shop</b>	<b>Projects Fund</b>	<b>General Fund</b>	<b>Remembrance Fund</b>
Transfer for various projects	\$ (579,134)	\$ 576,000	\$ 3,134	\$ -

**7. COMMITMENTS**

**Play Park and Hospital for Sick Children Patient Amenities Funds**

During the year ended January 31, 2016, the Auxiliary entered into a pledge agreement (the 2015 Gift Agreement) with the Hospital and the Foundation to raise and contribute \$2,000,000 over ten years. The Auxiliary was to make a donation of \$200,000 by December 31 each year commencing in 2015 until December 31, 2024 to support the Play Park and Hospital for Sick Children Patient Amenities Funds at the Hospital. This funding commitment was fully paid in 2019.

To assist with the Foundation and Hospital costs, 5% of the contribution and perpetual contributions under this agreement will be allocated to the Foundation (the Foundation Allocation Cost) and 10% will be allocated to the Hospital according to the joint policy of the Hospital and the Foundation on the Funding Enhancement Initiative.

As part of the 2015 Gift Agreement, the Auxiliary agreed to pay the PlayPark Salaries into perpetuity through the Foundation. However, in an amendment to the original agreement, the Foundation agreed to cap the Foundation Allocation Cost of 5% at the first \$100,000 of the salaries. While the salaries will be paid through the Foundation, any amount over \$100,000 will not be subject to any Foundation Allocation Costs.

**The Women's Auxiliary of the Hospital for Sick Children**  
**Notes to Financial Statements**  
**January 31, 2019**

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**7. COMMITMENTS (Cont'd)**

**Play Park and Hospital for Sick Children Patient Amenities Funds (Cont'd)**

	<b>2019</b>	<b>2018</b>
<b>Balance, beginning of year</b>	<b>\$ 800,000</b>	<b>\$ 1,600,000</b>
Current year payment from Projects Fund	<b>(534,578)</b>	<b>(748,366)</b>
Payment allocated from funds held by the Foundation on behalf of the Auxiliary	<b>(265,422)</b>	<b>(51,634)</b>
<b>Balance, end of year</b>	<b>\$ -</b>	<b>\$ 800,000</b>

As a result of completing the above commitment, the Auxiliary is anticipating the signing of a new pledge agreement with the Hospital and the Foundation to raise and contribute \$3,000,000 over twelve years. Upon signing the agreement, the Auxiliary will make a donation of \$225,000 by January 31 each year commencing in 2020 until January 31, 2031 to support the renovation of an operating suite at the Hospital, the establishment of a chair in Image Guided Care and the re-purpose of a prior donation.

These commitments have not been recorded in the financial statements.

**8. FINANCIAL INSTRUMENTS**

**Liquidity Risk**

Liquidity risk is the risk that the Auxiliary will encounter difficulty in meeting its obligations as they fall due. The Auxiliary manages liquidity risk by continuously monitoring actual and forecast cash flows. The Auxiliary's financial liabilities include accounts payable and accrued liabilities.

**9. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the current year's presentation. Net excess of revenue over expenses previously reported has not been affected by this reclassification.

**The 5 Fifty 5 Shop**  
**Statement of Income and Expenses and Changes in Fund Balance**  
**Year ended January 31, 2019**

	2019	2018
<b>Sales</b>		
Shop sales	\$ 1,425,000	\$ 1,354,647
Bazaar sales, net	36,602	44,524
	<b>1,461,602</b>	1,399,171
<b>Cost of sales</b>		
Opening inventory	201,405	174,582
Purchases	706,945	690,152
	<b>908,350</b>	864,734
Closing inventory	211,324	201,405
	<b>697,026</b>	663,329
<b>Gross margin</b>	<b>764,576</b>	735,842
<b>Expenses</b>		
Amortization	2,633	3,009
Audit	6,621	6,621
Bank and visa charges	16,715	15,775
Cash over/short	99	220
Postage	465	615
Salaries and benefits	131,413	129,484
Stationery and supplies	7,208	7,990
	<b>165,154</b>	163,714
<b>Net income from operating activities</b>	<b>599,422</b>	572,128
Investment and other income	7,475	4,195
<b>Excess of income over expenses</b>	<b>606,897</b>	576,323
<b>Fund balance, beginning of year</b>	<b>826,411</b>	660,086
<b>Interfund transfer to The Women's Auxiliary of the Hospital for Sick Children Projects Fund</b>	<b>(579,134)</b>	<b>(409,998)</b>
<b>Fund balance, end of year</b>	<b>\$ 854,174</b>	<b>\$ 826,411</b>

**Note:**

The 5 Fifty 5 Shop is a facility operated by The Women's Auxiliary of the Hospital for Sick Children, Toronto, Ontario.