

THE WOMEN'S AUXILIARY OF THE HOSPITAL FOR SICK CHILDREN

Financial Statements

January 31, 2020

THE WOMEN'S AUXILIARY OF THE HOSPITAL FOR SICK CHILDREN

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Year Ended January 31, 2020

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INDEPENDENT AUDITOR'S REPORT

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

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, 2020, and the statements of revenues 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Auxiliary as at January 31, 2020, 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.

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 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 those 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 Auxiliary for the year ended January 31, 2019 were audited by another auditor who expressed a qualified opinion on those financial statements on April 24, 2019. The qualified opinion was expressed on the limitations over revenues from donations and other fundraising activities, the completeness of which was not susceptible to satisfactory audit verification.

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 relating 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.

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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 entity'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 entity'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 entity 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.

Hogg, Shain & Scheck PC

Toronto, Ontario
April 21, 2020

Authorized to practise public accounting by the
Chartered Professional Accountants of Ontario

THE WOMEN'S AUXILIARY OF THE HOSPITAL FOR SICK CHILDREN

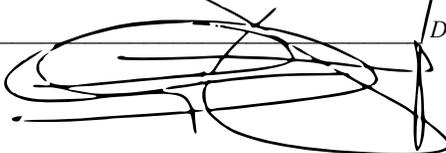
Statement of Financial Position

As at January 31, 2020

| | The 5 Fifty 5 Shop | WAV Fund | Total 2020 | Total 2019 |
|---|-----------------------|------------|---------------------|---------------------|
| ASSETS | | | | |
| CURRENT | | | | |
| Cash | \$ 109,494 | \$ 78,038 | \$ 187,532 | \$ 200,484 |
| Short-term investments (Note 3) | 500,692 | 180,000 | 680,692 | 622,976 |
| Amounts receivable | 1,376 | 1,323 | 2,699 | 4,300 |
| Inventory | 223,143 | - | 223,143 | 211,324 |
| Prepaid expenses | 2,789 | - | 2,789 | 4,656 |
| | 837,494 | 259,361 | 1,096,855 | 1,043,740 |
| CAPITAL ASSETS (Note 4) | 15,291 | - | 15,291 | 4,097 |
| | \$ 852,785 | \$ 259,361 | \$ 1,112,146 | \$ 1,047,837 |
| LIABILITIES | | | | |
| CURRENT | | | | |
| Accounts payable and accrued liabilities (Note 3) | \$ 49,377 | \$ 4,255 | \$ 53,633 | \$ 74,099 |
| FUND BALANCES | | | | |
| UNRESTRICTED (Note 2) | 803,408 | 255,106 | 1,058,513 | 973,738 |
| | \$ 852,785 | \$ 259,361 | \$ 1,112,146 | \$ 1,047,837 |

COMMITMENTS (Note 5)

APPROVED ON BEHALF OF THE BOARD


 _____ Director

 _____ Director

See the accompanying notes to these financial statements

THE WOMEN'S AUXILIARY OF THE HOSPITAL FOR SICK CHILDREN
Statement of Revenues and Expenses and Changes in Fund Balances
Year Ended January 31, 2020

| | The 5 Fifty 5 Shop | WAV Fund | Total 2020 | Total 2019 |
|---|-----------------------|-------------------|---------------------|-------------------|
| REVENUES | | | | |
| Shop sales | \$ 1,357,185 | \$ - | \$ 1,357,185 | \$ 1,425,000 |
| Distribution from funds held by SKF | - | 119,008 | 119,008 | 270,842 |
| Donations | - | 52,939 | 52,939 | 41,930 |
| Holiday sales and silent auction | 38,265 | - | 38,265 | 36,602 |
| Endowment distributions from funds held by SKF | - | 32,622 | 32,622 | 33,481 |
| Interest | 10,582 | 7,107 | 17,689 | 11,464 |
| Other | - | 20,335 | 20,335 | 12,804 |
| Membership fees | - | 3,160 | 3,160 | 3,810 |
| | <u>1,406,032</u> | <u>235,171</u> | <u>1,641,203</u> | <u>1,835,933</u> |
| COST OF GOODS SOLD | | | | |
| Opening inventory | 211,324 | - | 211,324 | 201,405 |
| Add: purchases | 685,721 | - | 685,721 | 707,044 |
| | <u>897,045</u> | <u>-</u> | <u>897,045</u> | <u>908,449</u> |
| Less: closing inventory | 223,143 | - | 223,143 | 211,324 |
| | <u>673,902</u> | <u>-</u> | <u>673,902</u> | <u>697,125</u> |
| GROSS PROFIT | <u>732,130</u> | <u>235,171</u> | <u>967,301</u> | <u>1,138,808</u> |
| EXPENSES | | | | |
| Hospital Projects: | | | | |
| Donation to SKF (Note 5) | - | 500,000 | 500,000 | 700,000 |
| General | - | 13,133 | 13,133 | 9,778 |
| Bravery Beads | - | 10,477 | 10,477 | 15,581 |
| Allocation of salaries and benefits from SKF (Note 5) | 145,142 | 133,890 | 279,032 | 276,696 |
| Office and general | 17,036 | 4,807 | 21,844 | 23,445 |
| Foundation fees | - | 18,460 | 18,460 | 16,634 |
| Audit and legal | 6,821 | 6,821 | 13,642 | 13,242 |
| Catering and meetings | - | 12,041 | 12,041 | 11,053 |
| Shop supplies | 10,566 | - | 10,566 | 7,208 |
| Amortization of capital assets | 3,331 | - | 3,331 | 2,633 |
| | <u>182,896</u> | <u>699,629</u> | <u>882,526</u> | <u>1,076,270</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES | 549,234 | (464,458) | 84,775 | 62,538 |
| FUND BALANCES - BEGINNING OF YEAR | <u>854,174</u> | <u>119,564</u> | <u>973,738</u> | <u>911,200</u> |
| | 1,403,408 | (344,894) | 1,058,513 | 973,738 |
| Interfund transfer | (600,000) | 600,000 | - | - |
| FUND BALANCES - END OF YEAR | <u>\$ 803,408</u> | <u>\$ 255,106</u> | <u>\$ 1,058,513</u> | <u>\$ 973,738</u> |

See the accompanying notes to these financial statements

THE WOMEN'S AUXILIARY OF THE HOSPITAL FOR SICK CHILDREN

**Statement of Cash Flows
Year Ended January 31, 2020**

| | 2020 | 2019 |
|--|-------------------|------------|
| OPERATING ACTIVITIES | | |
| Excess of revenues over expenses | \$ 84,775 | \$ 62,538 |
| Item not affecting cash: | | |
| Amortization of capital assets | <u>3,331</u> | 2,633 |
| | <u>88,106</u> | 65,171 |
| Changes in non-cash working capital: | | |
| Amounts receivable | 1,601 | (1,648) |
| Inventory | (11,819) | (9,919) |
| Prepaid expenses | 1,867 | (4,376) |
| Accounts payable and accrued liabilities | <u>(20,466)</u> | 23,529 |
| | <u>(28,817)</u> | 7,586 |
| Cash flows from operating activities | <u>59,289</u> | 72,757 |
| INVESTING ACTIVITIES | | |
| Purchase of short-term investments, net | (57,716) | (22,976) |
| Purchase of capital assets | <u>(14,525)</u> | - |
| Cash flows used by investing activities | <u>(72,241)</u> | (22,976) |
| INCREASE (DECREASE) IN CASH | (12,952) | 49,781 |
| CASH - BEGINNING OF YEAR | <u>200,484</u> | 150,703 |
| CASH - END OF YEAR | <u>\$ 187,532</u> | \$ 200,484 |

See the accompanying notes to these financial statements

THE WOMEN'S AUXILIARY OF THE HOSPITAL FOR SICK CHILDREN

Notes to Financial Statements

Year Ended January 31, 2020

1. PURPOSE OF THE ORGANIZATION

The Women's Auxiliary of the Hospital for Sick Children (the "Auxiliary") is a service organization within The Hospital for Sick Children (the "Hospital") which supports and complements 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 provincially incorporated without share capital under the Ontario Corporations Act. It is exempt from income taxes under Section 149 of the Income Tax Act (Canada).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements are the representation of management and have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

Description of funds

The 5 Fifty 5 Shop fund

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

WAV fund

The WAV Fund receives funds from The 5 Fifty 5 Shop, distributions from the Hospital for Sick Children Foundation ("SKF"), endowments held specifically to support the Auxiliary, specific donations and fundraising which are to be expended on approved projects within the Hospital. In addition, it records unrestricted donations, membership fees, interest and other revenues which are used to cover the administration costs of the Auxiliary.

During the year, the Auxiliary consolidated the Project fund and the General fund into the WAV fund as presented in these financial statements.

Revenue recognition

The Auxiliary follows the restricted fund method of accounting for donations and endowments. Donation revenues and distributions from SKF, including those from endowments, are recognized when received.

Restricted contributions related to general operations are recognized as revenues of the WAV Fund in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenues of the WAV Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenues from The 5 Fifty 5 Shop sales, holiday sales and the silent auction are recognized when title to the goods is transferred to customers, the selling price is fixed and determinable, and collectability is reasonably assured.

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

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THE WOMEN'S AUXILIARY OF THE HOSPITAL FOR SICK CHILDREN

Notes to Financial Statements

Year Ended January 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventory

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

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization. Equipment is amortized over its estimated useful life of five years on a straight-line basis.

The Auxiliary regularly reviews its capital assets for impairment when events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Impaired assets are written down to fair value.

Donation commitments

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

Financial instruments

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

The financial assets subsequently measured at amortized cost include cash, short-term investments and amounts receivable. The financial liabilities subsequently measured at amortized cost include accounts payable.

Volunteer services

Much of the work of the Auxiliary is dependent upon voluntary services. Volunteer services are not recognized in these financial statements as the Auxiliary would not otherwise purchase these services.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. These estimates are reviewed periodically and adjustments are made to revenues and expenses as appropriate in the year they become known. Such estimates exist with respect to the useful life of capital assets for amortization purposes. Actual results may differ from those estimates.

THE WOMEN'S AUXILIARY OF THE HOSPITAL FOR SICK CHILDREN

Notes to Financial Statements

Year Ended January 31, 2020

3. FINANCIAL INSTRUMENTS

Short-term investments consist of guaranteed investment certificates that are issued by a major Canadian chartered bank earning annual interest rates ranging from 1.85% to 2.20% (2019 - 2.25% and 2.72%) and mature between May 30, 2020 and January 9, 2021 (2019 - June 14, 2019 and December 14, 2019).

Accounts payable at January 31, 2020 include government remittances payable of \$30,446 (2019 - \$33,969).

The Auxiliary is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Auxiliary's risk exposure and concentration as of January 31, 2020.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting 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.

It is management's opinion that the Auxiliary is not exposed to significant credit, currency, market, interest rate, or other price risks arising from these financial instruments.

4. CAPITAL ASSETS

| | Cost | Accumulated amortization | 2020 Net book value | 2019 Net book value |
|-----------|------------|-----------------------------|---------------------------|---------------------------|
| Equipment | \$ 114,226 | \$ 98,935 | \$ 15,291 | \$ 4,097 |

During the year, the Auxiliary acquired capital assets in the amount of \$14,525 (2019 - \$Nil).

5. COMMITMENTS

Operating Suite Renovation and Chair in Image Guided Care

During fiscal 2020, the Auxiliary entered into a pledge agreement (the "2019 Gift Agreement") with the Hospital and SKF to raise and contribute \$4,000,000 over twelve years. The Auxiliary is to make a donation of \$308,333 or more by January 31 each year commencing in 2020 until January 31, 2031 to support the renovation of an operating suite at the Hospital and establish a medical chair within Image Guided Care (the "Chair").

The Auxiliary had funded a medical chair from a previous donation in 1995, which the Hospital and SKF have determined that \$300,000 from this fund would be best used to support a medical chair in Image Guided Care. Therefore, this reallocation went towards the 2019 Gift Agreement the commitment.

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

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THE WOMEN'S AUXILIARY OF THE HOSPITAL FOR SICK CHILDREN

Notes to Financial Statements

Year Ended January 31, 2020

5. COMMITMENTS (continued)

| | 2020 | 2019 |
|--|--------------|------------|
| Balance, beginning of year | \$ - | \$ 800,000 |
| New commitment | 4,000,000 | - |
| Re-purposed funds from previous donation | (300,000) | - |
| Current year payment from WAV fund | (500,000) | (434,578) |
| Amounts applied to 2019 salaries and benefits | - | (100,000) |
| Payment allocated from funds held by the Foundation on behalf of the Auxiliary | - | (265,422) |
| | <hr/> | <hr/> |
| Balance, end of year | \$ 3,200,000 | \$ - |

Play Park and Hospital for Sick Children Patient Amenities Funds

Under an agreement for the Play Park and Hospital for Sick Children Patient Amenities Fund (the "2015 Gift Agreement"), the Auxiliary agreed to pay the PlayPark related salaries and benefits into perpetuity through SKF. There are no fixed amounts agreed upon and the amount paid during the year was \$133,890 (2019 - \$145,283). SKF agreed to limit the Foundation Allocation Cost of 5% at the first \$100,000 of the salaries and benefits expenses. While these expenses will be paid through SKF, any amount over \$100,000 will not be subject to any Foundation Allocation Costs.

These future commitments have not been recorded in the financial statements.

6. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

7. SUBSEQUENT EVENTS

Subsequent to the year end, on March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID19 are unknown at this time. It is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Auxiliary in future periods. The Auxiliary continues to closely monitor and assess the impact on operations.
