

AIDS COMMITTEE OF TORONTO

Financial Statements

March 31, 2013

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Financial Statements

March 31, 2013

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Independent Auditors' Report

To the Directors of AIDS Committee of Toronto

We have audited the accompanying financial statements of AIDS Committee of Toronto, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations and changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian 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 in our audit is sufficient and appropriate to provide for a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of AIDS Committee of Toronto as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations, changes in net assets and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Toronto, Ontario
June 24, 2013

Marinucci & Company
Chartered Accountants
Licensed Public Accountants

AIDS COMMITTEE OF TORONTO
(A not-for-profit organization)

Statements of Financial Position as at March 31, 2013, March 31, 2012 and April 1, 2011

	March 31 2013	March 31 2012	April 1 2011
ASSETS			
Current:			
Cash and cash equivalents	\$ 431,938	\$ 588,920	\$ 421,289
Investments – short term (Note 4)	208,923	231,059	168,949
Amounts receivable	286,673	466,409	436,380
Prepaid expenses and deposits	<u>29,198</u>	<u>25,051</u>	<u>30,034</u>
	956,732	1,311,439	1,056,652
Investments – internally restricted (Note 4)	500,000	500,000	700,000
Capital assets, net (Note 5)	<u>159,629</u>	<u>266,136</u>	<u>160,901</u>
	<u>\$ 1,616,361</u>	<u>\$ 2,077,575</u>	<u>\$ 1,917,553</u>
LIABILITIES			
Current:			
Accounts payable and accruals (Notes 8 and 10)	\$ 275,396	\$ 364,628	\$ 430,465
Deferred contributions for future expenses (Note 6)	<u>263,308</u>	<u>480,966</u>	<u>351,273</u>
	538,704	845,594	781,738
Deferred capital asset contributions (Note 6)	<u>159,629</u>	<u>266,136</u>	<u>160,901</u>
	<u>698,333</u>	<u>1,111,730</u>	<u>942,639</u>
NET ASSETS			
Internally restricted (Note 4)	500,000	500,000	700,000
Unrestricted	<u>418,028</u>	<u>465,845</u>	<u>274,914</u>
	918,028	965,845	974,914
	<u>\$ 1,616,361</u>	<u>\$ 2,077,575</u>	<u>\$ 1,917,553</u>

Approved on behalf of the Board:

 Director
 Director

See accompanying Notes to Financial Statements

AIDS COMMITTEE OF TORONTO
(A not-for-profit organization)

Statements of Operations and Changes in Net Assets

For the years ended March 31, 2013 and 2012

	2013	2012
REVENUES		
Government and other grants (Notes 9 and 10)	\$ 3,262,139	\$ 3,207,303
Fundraising and community events	2,807,978	1,285,797
Bequests	34,703	20,000
Endowment income – Legacy of Hope Fund (Note 11)	27,379	28,106
Investment income	20,983	22,872
Other (Note 7)	<u>158,291</u>	<u>206,295</u>
	<u>6,311,473</u>	<u>4,770,373</u>
EXPENSES		
Salaries and benefits	3,029,462	2,970,573
Program materials and resources	1,245,176	271,570
Rent (Note 7)	589,595	569,209
Professional services	581,561	274,433
Office administration	361,833	354,360
Printing and graphics	91,294	91,155
Travel	66,218	46,395
Advertising and promotion	61,380	63,191
Professional development	16,986	19,658
Pension plan past service costs (Note 8)	-	71,165
Amortization of capital assets	106,507	47,733
Community Partners – Elton John AIDS Foundation	<u>209,278</u>	<u>-</u>
	<u>6,359,290</u>	<u>4,779,442</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(47,817)	(9,069)
NET ASSETS, beginning of year	<u>965,845</u>	<u>974,914</u>
NET ASSETS, end of year	<u>\$ 918,028</u>	<u>\$ 965,845</u>

See accompanying Notes to Financial Statements

AIDS COMMITTEE OF TORONTO
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Statements of Cash Flows

For the years ended March 31, 2013 and 2012

	2013	2012
Cash generated (used in)		
OPERATING ACTIVITIES:		
Excess (deficiency) of revenues over expenses	\$ (47,817)	\$ (9,069)
Add (deduct) items not involving cash:		
Amortization of capital assets	106,507	47,733
Amortization of deferred capital asset contributions	(106,507)	(47,733)
Impact on cash of changes in non-cash working capital items:		
Amounts receivable	179,736	(30,029)
Prepaid expenses and deposits	(4,147)	4,983
Accounts payable and accruals	(89,232)	(65,837)
Deferred contributions for future expenses	(217,658)	129,693
	<u>(179,118)</u>	<u>29,741</u>
FINANCING ACTIVITIES:		
Redemption (purchase) of investments, net:		
Short-term	22,136	(62,110)
Internally restricted	-	200,000
	<u>22,136</u>	<u>137,890</u>
INVESTING ACTIVITIES:		
Capital asset grants received	-	152,968
Purchase of capital assets	-	(152,968)
	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN CASH	(156,982)	167,631
CASH AND CASH EQUIVALENTS, beginning of year	<u>588,920</u>	<u>421,289</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 431,938</u>	<u>\$ 588,920</u>

See accompanying Notes to Financial Statements

AIDS COMMITTEE OF TORONTO
(A not-for-profit organization)

Notes to Financial Statements

March 31, 2013

1. NATURE AND PURPOSE OF THE ORGANIZATION

The AIDS Committee of Toronto (ACT), which commenced operations in 1983, is a not-for-profit organization incorporated without share capital in the Province of Ontario. It is a registered charitable organization under the Income Tax Act (Canada).

ACT is a community-based organization that provides health promotion, support, education and advocacy for people living with HIV/AIDS and those affected by HIV/AIDS.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are the representation of management and have been prepared in accordance with the Canadian accounting standards for not-for-profit organizations in Part III of the *CICA Handbook* and include the following significant accounting policies. The impact of the change in basis of accounting is set out in Note 3.

Revenue recognition

ACT follows the deferral method of accounting for contributions.

Grants and donations received for specific programs are recognized as revenues in the period in which the related program expenses are incurred. Where grants received in a year exceed amounts expended under a program, the excess is reflected on the statement of financial position as deferred contributions for future expenses. Conversely, where recoverable, a grant deficiency is reflected as an amount receivable from the grantor.

Gifts of capital assets and grants received to fund the purchase of capital assets are initially recorded as deferred capital asset contributions and are then amortized as revenues to operations on the same basis as the related capital asset costs are amortized.

Other donations and sponsorships, including planned giving and bequests, are recognized as revenues upon receipt.

Donations-in-kind and contributed services

Donations-in-kind, which include donated items for fundraising events, are not recognized in the financial statements.

Volunteers contribute tens of thousands of hours annually to assist ACT in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Comparative figures

Certain 2012 comparative figures have been reclassified to conform with 2013 financial statement presentation. These reclassifications had no impact on 2012 excess (deficiency) of revenues over expenses previously reported.

AIDS COMMITTEE OF TORONTO
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Notes to Financial Statements

March 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

ACT initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets, except for investments, and financial liabilities at amortized cost.

The financial assets subsequently measured at amortized cost include cash and cash equivalents and amounts receivable. The financial liabilities subsequently measured at amortized cost include accounts payable and accruals.

Investments are subsequently measured at fair value.

Capital asset expenditures

Capital assets with an individual item cost of less than \$10,000 are expensed in the year of acquisition. Capital asset expenditures greater than \$10,000 are capitalized.

Contributed capital assets are recorded at fair value at the date of contribution.

Amortization of computer hardware costs is provided on a straight-line basis over an estimated useful life of 3 years for computer hardware costs; 5 years for telephone and office equipment; and, over the remaining term to the office premises lease for leasehold improvements.

Measurement uncertainty

The preparation of financial statements in conformity with 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 period. These estimates are reviewed periodically and adjustments are made to revenues and expenses as appropriate in the period they become known.

3. IMPACT OF THE CHANGE IN BASIS OF ACCOUNTING

ACT has elected to apply Canadian accounting standards for not-for-profit organizations.

These financial statements are the first financial statements for which ACT has applied Canadian accounting standards for not-for-profit organizations. The financial statements for the year ended March 31, 2013 were prepared in accordance with the accounting principles and provisions set out in Section 1501, *First-time Adoption by Not-for-Profit Organizations*, for first-time adopters of this basis of accounting.

First-time adoption of this new basis of accounting had no impact on ACT's assets, liabilities, revenues and expenses or on net assets for the years ended March 31, 2013 and March 31, 2012, or on net assets at April 1, 2011, the date of transition. ACT made none of the voluntary elections on transition. The opening balance sheet at April 1, 2011 is identical to the balance sheet at March 31, 2011 as reported under the former basis of accounting.

AIDS COMMITTEE OF TORONTO
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Notes to Financial Statements

March 31, 2013

4. FINANCIAL INSTRUMENTS

Cash and cash equivalents consist of cash on hand and on deposit in bank accounts held at a major Canadian financial institution.

Investments consist of investment grade Canadian financial institution guaranteed investment certificates with maturity dates ranging from May 2013 to May 2017.

The Internally Restricted Fund was established by the Board of Directors of ACT to protect against the possibility of a serious disruption or reduction in funding. The balance in the fund is intended to approximate three months' personnel and operating costs, and is supported by investments.

The fair value of ACT's amounts receivable and accounts payable and accruals approximate their carrying value due to the relatively short term to maturity of those instruments.

ACT is exposed to various risks through its financial instruments. Credit risk on amounts receivable is mitigated by close monitoring of outstanding balances and assessment of estimated realizable value. Interest rate risk on its fixed rate guaranteed investment certificates is mitigated by matching the maturities of such certificates to expected cash flow requirements. Market risk associated with investments is reduced to a minimum since these assets are invested in guaranteed investment certificates.

ACT has available a demand operating facility agreement with its bank of \$100,000 for general operating purposes that is used when sufficient cash flow is not available from operations to cover operating and capital expenditures. Advances under this credit facility bear interest at the bank's prime lending rate, with interest payable monthly, and are secured by a general security agreement over its assets. No advances were outstanding under the credit facility at March 31, 2013 or 2012 or 2011.

At March 31, 2013, ACT has a letter of credit outstanding in the amount of \$21,220 which expires on August 31, 2013 and is in support of its obligations in respect to a fundraising event held in 2013.

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value		
			March 31		April 1
			2013	2012	2011
Computer hardware	\$ 70,318	\$ (70,318)	\$ -	\$ 23,000	\$ 46,439
Telephone/office equipment	37,371	(14,948)	22,423	29,897	37,371
Leasehold improvements	<u>237,067</u>	<u>(99,861)</u>	<u>137,206</u>	<u>213,240</u>	<u>77,092</u>
	<u>\$ 344,756</u>	<u>\$(185,127)</u>	<u>\$159,629</u>	<u>\$266,136</u>	<u>\$160,901</u>

The \$344,756 purchase cost of all capital assets was funded by capital asset grants (see Note 6).

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Notes to Financial Statements

March 31, 2013

6. DEFERRED CONTRIBUTIONS

Deferred contributions for future expenses:

	March 31 2013	March 31 2012	April 1 2011
Programs	\$ 253,401	\$ 461,788	\$ 341,366
Sub-lease rental deposits (Note 7)	<u>9,907</u>	<u>19,178</u>	<u>9,907</u>
	<u>\$ 263,308</u>	<u>\$ 480,966</u>	<u>\$ 351,273</u>

Deferred capital asset contributions:

Balance, beginning of year	\$ 266,136	\$ 160,901	\$ 100,662
Grants received	-	152,968	121,470
Amortization to revenues	<u>(106,507)</u>	<u>(47,433)</u>	<u>(61,231)</u>
Balance, end of year	<u>\$ 159,629</u>	<u>\$ 266,136</u>	<u>\$ 160,901</u>

7. LEASE COMMITMENTS FOR PREMISES AND OFFICE EQUIPMENT

Under the terms of an operating lease for office premises to October 31, 2015, ACT is required to pay minimum monthly rent of approximately \$41,000. ACT sub-leases certain of its office premises to third-party tenants. Other revenues include \$117,045 in sub-lease rentals (2012 - \$116,749).

Under the terms of non-cancellable operating leases for copier and postage equipment, ACT has commitments for minimum annual payments of \$26,194 for 2014; and \$11,480 for 2015.

8. PENSION PLAN

Effective July 1, 2002, the pension plan for the employees of ACT was amended to convert the plan from a defined benefit plan to a defined contribution plan. Transitional provisions were made for existing members of the plan. After the conversion, existing and new members participate in the plan only in accordance with the provisions of the revised plan.

The most recent actuarial valuation for funding purposes was done as at July 1, 2011. This valuation disclosed an unfunded solvency-windup deficiency of \$68,100 as at that date in respect to certain plan members who will continue to receive pension benefits according to a defined benefit formula under the transitional provisions. This deficiency is being funded by making payments of \$1,258 per month to July 1, 2016.

As at March 31, 2013, the full amount of the unfunded solvency/windup deficiency plus accrued interest to that date has been charged to expense, as this obligation relates to past service provided by affected employees. As at March 31, 2013, \$26,418 in funding payments have been made. The balance of the obligation of \$44,747 is included in accounts payable and accruals.

The next scheduled actuarial valuation is as at July 1, 2014.

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Notes to Financial Statements

March 31, 2013

9. GOVERNMENT AND OTHER GRANTS

	2013	2012
Federal government		
<i>Public Health Agency of Canada:</i>		
Health Promotion	\$ 82,307	\$ 80,000
Positive Youth Outreach	72,150	80,000
Portuguese Case Management	-	30,626
Portuguese Community Development	-	49,374
Peer Network Community Collaboration	-	90,000
	<u>154,457</u>	<u>330,000</u>
Ontario government		
<i>Ministry of Health – AIDS Bureau (Note 10):</i>		
Community-based Education and Support	961,746	961,746
Action Positive/Franco Queer	121,270	121,270
Women's HIV/AIDS Initiative	467,385	335,224
	<u>1,550,401</u>	<u>1,418,240</u>
<i>Ministry of Community and Social Services</i>	<u>413,000</u>	<u>409,000</u>
	<u>1,963,401</u>	<u>1,827,240</u>
City of Toronto		
Purchase of services	271,400	271,400
Community Services Partnership	62,200	62,200
Portuguese Men's Outreach	39,963	29,553
Gay Men's Harm Reduction	49,694	37,047
Gay Men's Sexual Health	-	15,467
Totally OutRight	31,708	23,543
	<u>454,965</u>	<u>439,210</u>
Other		
<i>MAC AIDS Foundation</i>	159,113	152,054
<i>Ontario HIV Treatment Network</i>	134,732	117,511
<i>Ryerson University</i>	85,165	49,240
<i>Circle of Care</i>	63,700	9,192
<i>Mid Toronto Community Centre</i>	17,976	18,430
<i>Canadian Institute of Health Research</i>	14,533	82,844
<i>Trillium Foundation</i>	-	28,831
<i>Ontario AIDS Network</i>	-	23,675
<i>Amortization of deferred capital asset contributions (Note 6)</i>	106,507	47,733
<i>Other</i>	107,590	81,343
	<u>689,316</u>	<u>610,853</u>
	<u>\$ 3,262,139</u>	<u>\$ 3,207,303</u>

AIDS COMMITTEE OF TORONTO
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Notes to Financial Statements

March 31, 2013

10. MINISTRY OF HEALTH AND LONG-TERM CARE

AIDS BUREAU PROGRAM FUNDING RECONCILIATION - YEAR ENDED MARCH 31, 2013

	Community based education and support	Women's HIV/AIDS Initiative Toronto	Ontario	Action Positive VS	Total
REVENUES:					
Grant	<u>\$ 961,746</u>	<u>\$ 160,200</u>	<u>\$ 379,800</u>	<u>\$ 121,270</u>	<u>\$1,623,016</u>
EXPENSES:					
Salaries and wages	569,009	99,824	142,000	75,000	885,833
Employee benefits	<u>96,731</u>	<u>16,970</u>	<u>24,140</u>	<u>10,537</u>	<u>148,378</u>
	665,740	116,794	166,140	85,537	1,034,211
Rent and utilities	99,713	12,000	12,000	2,000	125,713
Supplies and other expenses	18,293	30,106	77,485	33,733	159,617
Protected allocations	<u>12,000</u>	<u>1,300</u>	<u>1,600</u>	<u>-</u>	<u>14,900</u>
	130,006	43,406	91,085	35,733	300,230
Other/special line items	<u>166,000</u>	<u>-</u>	<u>49,960</u>	<u>-</u>	<u>215,960</u>
	<u>\$961,746</u>	<u>\$ 160,200</u>	<u>\$ 307,185</u>	<u>\$121,270</u>	<u>\$1,550,401</u>
UNSPENT PORTION REPAYABLE TO MINISTRY OF HEALTH	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,615</u>	<u>\$ -</u>	<u>\$ 72,615</u>

The unspent portion repayable to Ministry of Health of \$72,615 is classified as accounts payable and accruals on the statement of financial position.

AIDS COMMITTEE OF TORONTO
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Notes to Financial Statements

March 31, 2013

11. LEGACY OF HOPE FUND

In 1988, the ACT Board of Directors designated certain contributions from planned giving, bequests and fundraising events as contributions for the establishment of the Legacy of Hope Fund. The purpose of this Fund is to establish a permanent stable funding stream for ACT should government funding sources decline.

This Fund is an external endowment fund, the assets of which are controlled and managed by the Toronto Community Foundation in accordance with its investment and income distribution policies. Accordingly, assets of the Fund are not reflected in these financial statements.

Details of activity in the Legacy of Hope Fund of the Toronto Community Foundation during the year are as follows:

	2013	2012
Market value, beginning of year	\$ 782,246	\$ 803,017
Investment gains (losses)	89,222	18,997
Administration expenses	(11,752)	(11,662)
Income distributed to ACT	<u>(27,379)</u>	<u>(28,106)</u>
Market value, end of year	<u>\$ 832,337</u>	<u>\$ 782,246</u>