

**FINANCIAL STATEMENTS**  
**For**  
**AIDS COMMITTEE OF TORONTO**  
**For year ended**  
**MARCH 31, 2018**

## **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 statement of financial position as at March 31, 2018 and the statements of operations, changes in net assets 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.

#### *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 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.

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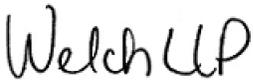
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

*Basis for Qualified Opinion*

In common with many not-for-profit organizations, AIDS Committee of Toronto derives revenue from cash donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of AIDS Committee of Toronto and we were not able to determine whether any adjustments might be necessary to fundraising and community events revenue, excess of operating revenue over expenses and cash flows from operations for the years ended March 31, 2018 and 2017, current assets as at March 31, 2018 and 2017 and unrestricted net assets as at April 1 and March 31 for both the 2017 and 2018 years.

*Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of AIDS Committee of Toronto as at March 31, 2018 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



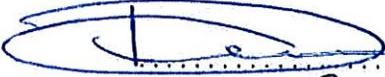
Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Ontario  
June 25, 2018.

**AIDS COMMITTEE OF TORONTO**  
*(Incorporated under the laws of Ontario)*  
**STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2018**

	<u>2018</u>	<u>2017</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 617,013	\$ 685,020
Short-term investments (note 3)	930,080	1,027,567
Amounts receivable	249,071	426,128
Prepaid expenses	<u>78,023</u>	<u>68,890</u>
	1,874,187	2,207,605
<b>LONG-TERM INVESTMENTS</b> (note 3)	1,642,456	273,000
<b>PENSION PLAN ASSET</b> (note 9)	83,017	157,115
<b>CAPITAL ASSETS</b> (note 4)	<u>67,216</u>	<u>92,319</u>
	<b><u>\$ 3,666,876</u></b>	<b><u>\$ 2,730,039</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 412,318	\$ 490,100
Deferred contributions (note 5)	<u>118,499</u>	<u>191,792</u>
	530,817	681,892
<b>DEFERRED CAPITAL CONTRIBUTIONS</b> (note 6)	<u>-</u>	<u>28,033</u>
	<u>530,817</u>	<u>709,925</u>
<b>NET ASSETS</b>		
Internally restricted (note 7)	900,000	900,000
Unrestricted	<u>2,236,059</u>	<u>1,120,114</u>
	<u>3,136,059</u>	<u>2,020,114</u>
	<b><u>\$ 3,666,876</u></b>	<b><u>\$ 2,730,039</u></b>
Commitments (note 12)		

Approved on behalf of the Board:

 ..... Director

 ..... Director

(See accompanying notes)

**AIDS COMMITTEE OF TORONTO**  
**STATEMENT OF OPERATIONS**  
**YEAR ENDED MARCH 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>OPERATING REVENUE</b>		
Government and other grants (notes 10 and 11)	\$ 3,058,777	\$ 2,915,408
Fundraising and community events	1,035,717	1,088,158
Bequests	1,045,304	755,000
Endowment income - Legacy of Hope Fund (note 8)	34,381	32,677
Investment income (note 3)	21,996	5,468
Other	<u>55,751</u>	<u>43,430</u>
	<u>5,251,926</u>	<u>4,840,141</u>
<b>OPERATING EXPENSES</b>		
Salaries and benefits	2,624,310	2,593,918
Rent	516,076	506,904
Program materials and resources	314,599	306,545
Office administration	272,541	271,405
Professional services	189,835	128,776
Printing and graphics	108,743	108,089
Advertising and promotion	41,846	37,178
Travel	19,394	25,726
Professional development	14,536	15,579
Amortization of capital assets	<u>34,101</u>	<u>33,374</u>
	<u>4,135,981</u>	<u>4,027,494</u>
<b>EXCESS OF OPERATING REVENUE OVER EXPENSES</b>	<u>\$ 1,115,945</u>	<u>\$ 812,647</u>

(See accompanying notes)

**AIDS COMMITTEE OF TORONTO**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**YEAR ENDED MARCH 31, 2018**

	<u>Internally restricted</u>	<u>Unrestricted</u>	<u>Total 2018</u>	<u>Total 2017</u>
<b>Net assets, beginning of year</b> (note 7)	\$ 900,000	\$ 1,120,114	\$ 2,020,114	\$ 1,207,467
Excess of operating revenue over expenses	<u>          -</u>	<u>  1,115,945</u>	<u>  1,115,945</u>	<u>    812,647</u>
<b>Net assets, end of year</b>	<u>\$ 900,000</u>	<u>\$ 2,236,059</u>	<u>\$ 3,136,059</u>	<u>\$ 2,020,114</u>

(See accompanying notes)

**AIDS COMMITTEE OF TORONTO**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>CASH GENERATED (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Excess of operating revenue over expenses	\$ 1,115,945	\$ 812,647
Add (deduct) items not involving cash:		
Amortization of capital assets	34,101	33,374
Amortization of deferred capital contributions	(28,033)	(30,593)
Pension plan settlement	<u>74,098</u>	<u>71,763</u>
	1,196,111	887,191
Impact on cash of changes in non-cash working capital items:		
Amounts receivable	177,057	(44,996)
Prepaid expenses	(9,133)	248
Accounts payable and accrued liabilities	(77,782)	(91,148)
Deferred contributions	<u>(73,293)</u>	<u>(373,094)</u>
	<u>1,212,960</u>	<u>378,201</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	<u>(8,998)</u>	<u>-</u>
<b>FINANCING ACTIVITIES</b>		
Purchase of investments, net	(1,271,969)	(735,165)
Receipt of leasehold improvement allowance	<u>-</u>	<u>22,972</u>
	<u>(1,271,969)</u>	<u>(712,193)</u>
<b>DECREASE IN CASH DURING THE YEAR</b>	(68,007)	(333,992)
<b>CASH, BEGINNING OF YEAR</b>	<u>685,020</u>	<u>1,019,012</u>
<b>CASH, END OF YEAR</b>	<u>\$ 617,013</u>	<u>\$ 685,020</u>

(See accompanying notes)

**AIDS COMMITTEE OF TORONTO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2018**

**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 prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

*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 amounts receivable. The financial liabilities subsequently measured at amortized cost include accounts payable and accrued liabilities. Investments are subsequently measured at fair value.

*Revenue recognition*

ACT follows the deferral method of accounting for contributions.

Grants and donations received for specific programs are recognized as revenue 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 revenue in operations on the same basis as the amortization of the related capital asset costs.

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.

*Capital asset expenditures*

Capital assets are recorded at acquisition cost. Amortization is provided on a straight-line basis over an estimated useful life of 3 years for computer hardware, 10 years for computer software and over the remaining term to the office premises lease for leasehold improvements.

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

**AIDS COMMITTEE OF TORONTO**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED MARCH 31, 2018**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Cont'd.**

*Use of estimates*

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 period. Estimates are primarily used in determining the allowance for doubtful accounts, fair value of investments, useful lives of capital assets, significant accrued liabilities and pension benefits. These estimates are reviewed periodically and adjustments are made to revenue and expenses, as appropriate, in the period they become known.

**3. FINANCIAL INSTRUMENTS**

Cash consists of cash on hand and on deposit in bank accounts held at a major Canadian financial institution. Cash balances are sufficient to provide for accounts payable as they come due.

Investments consist of \$545,118 of money market mutual funds and \$1,274,963 of investment grade Canadian financial institution guaranteed investment certificates with maturity dates ranging from May 2018 to January 2021 and interest rates to maturity ranging from 0.13% to 2.75% (2017 - 0.13% to 2.75%). Investment income is recorded net of investment management fees.

Included in long-term investment is an investment managed by the Toronto Foundation. The investment has a balance of \$752,455 as at March 31, 2018. Details of activity in the investment managed by the Toronto Foundation during the year are as follows:

	<u>2018</u>	<u>2017</u>
Market value, beginning of year	\$ -	\$ -
Contributions	750,000	-
Investment gains losses	3,891	-
Administration expenses	<u>(1,436)</u>	<u>-</u>
Market value, end of year	<u>\$ 752,455</u>	<u>\$ -</u>

The fair value of ACT's amounts receivable and accounts payable approximates 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 generally are invested in guaranteed investment certificates.

ACT has available a demand operating facility agreement with its bank of up to \$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 made under the credit facility in 2018 or 2017.

**AIDS COMMITTEE OF TORONTO**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED MARCH 31, 2018**

**4. CAPITAL ASSETS**

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Leasehold improvements	\$ 23,388	\$ 7,513	\$ 23,388	\$ 4,005
Computer hardware	73,631	73,631	73,631	49,087
Computer software	<u>69,488</u>	<u>18,147</u>	<u>60,490</u>	<u>12,098</u>
	166,507	<u>\$ 99,291</u>	157,509	<u>\$ 65,190</u>
Accumulated amortization	<u>99,291</u>		<u>65,190</u>	
	<u>\$ 67,216</u>		<u>\$ 92,319</u>	

**5. DEFERRED CONTRIBUTIONS**

Deferred contributions represent restricted funding that relates to expenses to be incurred in subsequent years. Changes in deferred contributions for the year are as follows:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 191,792	\$ 564,886
Add:		
Funds received	2,957,451	2,836,237
Less:		
Amounts transferred to other organizations	-	(285,557)
Amounts payable to funders	-	(38,959)
Amounts recognized as revenue	<u>(3,030,744)</u>	<u>(2,884,815)</u>
Balance, end of year	<u>\$ 118,499</u>	<u>\$ 191,792</u>

**6. DEFERRED CAPITAL CONTRIBUTIONS**

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of capital assets. Changes in deferred capital contributions for the year are as follows:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 28,033	\$ 58,626
Less: Amortization of deferred capital contributions	<u>(28,033)</u>	<u>(30,593)</u>
Balance, end of year	<u>\$ -</u>	<u>\$ 28,033</u>

**7. INTERNALLY RESTRICTED FUNDS**

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. For 2018, the Board has approved a transfer of \$nil (2017 - \$400,000) to the Internally Restricted Fund.

**AIDS COMMITTEE OF TORONTO**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED MARCH 31, 2018**

**8. 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 Foundation in accordance with its investment and income distribution policies. Accordingly, assets of the Fund are not reflected in these financial statements. Unaudited details of activity in the Legacy of Hope Fund during the year are as follows:

	<u>2018</u>	<u>2017</u>
Market value, beginning of year	\$ 982,315	\$ 933,617
Investment gains losses	61,530	95,460
Administration expenses	(14,725)	(14,085)
Income distributed to ACT	<u>(34,381)</u>	<u>(32,677)</u>
Market value, end of year	<u>\$ 994,739</u>	<u>\$ 982,315</u>

**9. 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.

An 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 would continue to receive pension benefits according to a defined benefit formula under the transitional provisions.

For accounting purposes, the full amount of the unfunded solvency/windup deficiency plus accrued interest to that date was charged to expense in the 2012 fiscal year, as this obligation related to past service provided by affected employees. The deficiency as at July 1, 2011 was funded by making payments of \$1,258 per month to December 31, 2013.

The next actuarial valuation was completed as at January 1, 2014. This valuation reported that the plan is in a net surplus position of \$383,783, consisting of a market value of plan assets of \$459,586 less liabilities of \$75,803. The net pension plan surplus as at January 1, 2014 arose principally from actuarial gains due to a terminated member of the plan. As a result of the net surplus position, funding payments were discontinued from January 1, 2014.

For accounting purposes, the remaining obligation of \$33,425 in respect to the July 1, 2011 valuation was reversed in the accounts and a pension plan asset of \$383,783 representing the net surplus position as at the January 1, 2014 valuation was recognized, resulting in a pension plan gain of \$417,208 in 2014.

The most recent actuarial valuation was completed as at January 1, 2017. This valuation reported that the plan is in a net surplus position of \$204,500, consisting of a market value of plan assets of \$281,700 less liabilities of \$77,200.

It is the intention of management to apply the pension plan assets to fund the current service costs of the ACT's defined contribution plan. In 2018, \$74,098 (2017 - \$71,763) in pension plan assets were applied to fund 2018 current service costs.

**AIDS COMMITTEE OF TORONTO**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED MARCH 31, 2018**

10. **GOVERNMENT AND OTHER GRANTS**

Government and other grants consist of the following:

	<u>2018</u>	<u>2017</u>
<b>Federal government</b>		
<i>Public Health Agency of Canada:</i>		
Health Promotion	\$ 190,783	\$ 82,871
Positive Youth Outreach	<u>72,677</u>	<u>70,354</u>
	<u>263,460</u>	<u>153,225</u>
<b>Ontario government</b>		
<i>Ministry of Health - AIDS Bureau (note 11):</i>		
Community-based Education and Support	1,128,129	1,011,746
Women's HIV/AIDS Initiative -		
Toronto	146,974	160,200
Ontario	<u>423,489</u>	<u>379,800</u>
	1,698,592	1,551,746
<i>Ministry of Community and Social Services</i>	<u>414,345</u>	<u>379,172</u>
	<u>2,112,937</u>	<u>1,930,918</u>
<b>City of Toronto</b>		
Purchase of services	356,930	335,400
Community Services Partnership	70,385	69,000
Totally OutRight	66,943	53,734
Portuguese Men's Outreach	<u>10,798</u>	<u>43,193</u>
	<u>505,056</u>	<u>501,327</u>
<b>Other</b>		
MAC AIDS Foundation	45,729	132,321
Ontario HIV Treatment Network	20,983	79,027
Ryerson University	67,519	69,838
Mid Toronto Community Centre	15,060	17,160
Amortization of deferred capital asset contributions (note 6)	28,033	30,593
Other	<u>-</u>	<u>999</u>
	<u>177,324</u>	<u>329,938</u>
	<u>\$ 3,058,777</u>	<u>\$ 2,915,408</u>

**AIDS COMMITTEE OF TORONTO**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED MARCH 31, 2018**

**11. MINISTRY OF HEALTH AND LONG-TERM CARE**

**AIDS BUREAU PROGRAM FUNDING RECONCILIATION - YEAR ENDED MARCH 31, 2018**

	Community based education and support	<u>Women's HIV/AIDS Initiative</u>		<u>Total</u>
		<u>Toronto</u>	<u>Ontario</u>	
Revenues				
Grant	\$ 1,128,129	\$ 146,974	\$ 423,489	\$ 1,698,592
Expenses				
Salaries and wages	727,969	117,271	151,444	996,684
Employee benefits	138,314	22,282	28,774	189,370
	<u>866,283</u>	<u>139,553</u>	<u>180,218</u>	<u>1,186,054</u>
Rent and utilities	149,197	6,351	29,393	184,941
Supplies and other	35,497	-	212,068	247,565
Protected allocations	12,229	1,070	1,810	15,109
	<u>196,923</u>	<u>7,421</u>	<u>243,271</u>	<u>447,615</u>
Other	64,923	-	-	64,923
	<u>\$ 1,128,129</u>	<u>\$ 146,974</u>	<u>\$ 423,489</u>	<u>\$ 1,698,592</u>
Unspent portion repayable to Ministry of Health	\$ -	\$ -	\$ -	\$ -

**12. LEASE COMMITMENTS FOR PREMISES AND OFFICE EQUIPMENT**

ACT has entered in a lease for office premises to November 30, 2022. ACT sub-leases parts of its office premises to third-party tenants. Other revenues include \$20,880 in sub-lease rentals (2017 - \$17,116).

In addition, ACT entered into an operating lease for office equipment with a 60-month lease term expiring October 2020.

Minimum annual basic rent under the lease agreements are as follows:

2019	\$ 297,140
2020	297,140
2021	298,704
2022	304,704
2023	<u>203,136</u>
	<u>\$ 1,400,824</u>