

**FINANCIAL STATEMENTS**

**For**

**AIDS COMMITTEE OF TORONTO**

**For year ended**

**MARCH 31, 2016**

**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 position as at March 31, 2016 and the statements of operations and 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide 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, 2016 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.

*Other Matter*

The financial statements of AIDS Committee of Toronto for the year ended March 31, 2015, were audited by another auditor who expressed an unmodified opinion on those statements on June 20, 2015.

*Welch LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Ontario  
June 27, 2016.

**AIDS COMMITTEE OF TORONTO**  
*(Incorporated under the laws of Ontario)*  
**STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2016**

	<u>2016</u>	<u>2015</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,019,012	\$ 703,157
Short-term investments (note 3)	142,768	376,987
Amounts receivable	381,132	192,703
Prepaid expenses	<u>69,138</u>	<u>26,287</u>
	1,612,050	1,299,134
<b>LONG-TERM INVESTMENTS</b> (note 3)	422,634	112,117
<b>PENSION PLAN ASSET</b> (note 9)	228,878	304,666
<b>CAPITAL ASSETS</b> (note 4)	<u>148,665</u>	<u>21,047</u>
	<u>\$ 2,412,227</u>	<u>\$ 1,736,964</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 581,248	\$ 302,000
Deferred contributions (note 5)	<u>564,886</u>	<u>439,004</u>
	1,146,134	741,004
<b>DEFERRED CAPITAL CONTRIBUTIONS</b> (note 6)	<u>58,626</u>	<u>17,286</u>
	<u>1,204,760</u>	<u>758,290</u>
<b>NET ASSETS</b>		
Internally restricted (note 7)	500,000	500,000
Unrestricted	<u>707,467</u>	<u>478,674</u>
	<u>1,207,467</u>	<u>978,674</u>
	<u>\$ 2,412,227</u>	<u>\$ 1,736,964</u>
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, 2016**

	<u>2016</u>	<u>2015</u>
<b>OPERATING REVENUE</b>		
Government and other grants (notes 10 and 11)	\$ 3,191,987	\$ 3,281,977
Fundraising and community events	1,000,267	976,014
Bequests	78,379	30,000
Endowment income - Legacy of Hope Fund (note 8)	34,214	31,559
Investment income	11,565	17,312
Other (note 12)	<u>116,481</u>	<u>169,270</u>
	<u>4,432,893</u>	<u>4,506,132</u>
<b>OPERATING EXPENSES</b>		
Salaries and benefits	2,760,057	2,932,199
Rent (note 12)	489,658	611,671
Program materials and resources	325,457	316,433
Office administration	275,266	253,470
Professional services	145,671	149,241
Printing and graphics	63,328	77,544
Advertising and promotion	54,426	50,697
Travel	19,444	18,672
Professional development	21,043	10,802
Amortization of capital assets	<u>49,750</u>	<u>70,610</u>
	<u>4,204,100</u>	<u>4,491,339</u>
<b>EXCESS OF OPERATING REVENUE OVER EXPENSES</b>	<u>\$ 228,793</u>	<u>\$ 14,793</u>

**STATEMENT OF CHANGES IN NET ASSETS**  
**YEAR ENDED MARCH 31, 2016**

	<u>Internally restricted</u>	<u>Unrestricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
Net assets, beginning of year (note 7)	\$ 500,000	\$ 478,674	\$ 978,674	\$ 963,881
Excess of operating revenue over expenses	<u>-</u>	<u>228,793</u>	<u>228,793</u>	<u>14,793</u>
Net assets, end of year	<u>\$ 500,000</u>	<u>\$ 707,467</u>	<u>\$ 1,207,467</u>	<u>\$ 978,674</u>

(See accompanying notes)

**AIDS COMMITTEE OF TORONTO**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31, 2016**

	<u>2016</u>	<u>2015</u>
<b>CASH GENERATED (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Excess of operating revenues over expenses	\$ 228,793	\$ 14,793
Add (deduct) items not involving cash:		
Amortization of capital assets	49,750	70,610
Amortization of deferred capital contributions	(42,889)	(58,835)
Pension plan settlement	<u>75,788</u>	<u>79,117</u>
	311,442	105,685
Impact on cash of changes in non-cash working capital items:		
Amounts receivable	(188,429)	146,539
Prepaid expenses	(42,851)	43,892
Accounts payable and accrued liabilities	279,248	(103,181)
Deferred contributions	<u>125,882</u>	<u>9,162</u>
<b>Cash flows from operating activities</b>	<u>485,292</u>	<u>202,097</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	<u>(177,368)</u>	<u>-</u>
<b>Cash flows from investing activities</b>	<u>(177,368)</u>	<u>-</u>
<b>FINANCING ACTIVITIES</b>		
Redemption (purchase) of investments, net	(76,298)	236,614
Receipt of deferred capital contributions	<u>84,229</u>	<u>-</u>
<b>Cash flows from financing activities</b>	<u>7,931</u>	<u>236,614</u>
<b>INCREASE IN CASH</b>	315,855	438,711
<b>CASH, beginning of year</b>	<u>703,157</u>	<u>264,446</u>
<b>CASH, end of year</b>	<u>\$ 1,019,012</u>	<u>\$ 703,157</u>

(See accompanying notes)



**AIDS COMMITTEE OF TORONTO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2016**

**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 in Part III of the *CPA Canada Handbook* 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.

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 a 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.

**AIDS COMMITTEE OF TORONTO**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED MARCH 31, 2016**

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

*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 capital assets is provided on a straight-line basis over an estimated useful life of 3 years for computer hardware, 5 years for telephone and office equipment, 10 years for computer software and over the remaining term to the office premises lease for leasehold improvements.

*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 period. Estimates are primarily used in determining the allowance for doubtful accounts, useful lives of capital assets, and significant accrued liabilities. 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 at March 31, 2016 consist of interest bearing savings accounts and investment grade Canadian financial institution guaranteed investment certificates with maturity dates ranging from May 2016 to March 2019 and interest rates to maturity ranging from 0.10% to 3.30%.

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 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 made under the credit facility in 2016 or 2015.

**AIDS COMMITTEE OF TORONTO**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED MARCH 31, 2016**

**4. CAPITAL ASSETS**

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Telephone/office equipment	\$ -	\$ -	\$ 37,371	\$ 29,897
Leasehold improvements	46,360	1,224	266,503	252,930
Computer hardware	73,631	24,543	70,318	70,318
Computer software	60,490	6,049	-	-
	<u>180,481</u>	<u>31,816</u>	<u>374,192</u>	<u>353,145</u>
Accumulated amortization	<u>31,816</u>		<u>353,145</u>	
	<u>\$ 148,665</u>		<u>\$ 21,047</u>	

Capital assets acquired in the year include \$84,229 that were funded by a capital asset grant (see note 6).

**5. DEFERRED CONTRIBUTIONS**

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 439,004	\$ 429,842
Add: Funds received	3,317,869	3,291,139
Less: Amounts recognized as revenue	<u>(3,191,987)</u>	<u>(3,281,977)</u>
Balance, end of year	<u>\$ 564,886</u>	<u>\$ 439,004</u>

**6. DEFERRED CAPITAL CONTRIBUTIONS**

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of capital assets.

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 17,286	\$ 76,121
Add: grant for computer purchases (equipment and software)	84,229	-
Less: Amortization of deferred capital contributions	<u>(42,889)</u>	<u>(58,835)</u>
Balance, end of year	<u>\$ 58,626</u>	<u>\$ 17,286</u>

The funds were received in 2016 from the Ontario Trillium Foundation.

**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.



**AIDS COMMITTEE OF TORONTO**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED MARCH 31, 2016**

**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.

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

	<u>2016</u>	<u>2015</u>
Market value, beginning of year	\$ 977,530	\$ 901,694
Investment gains (losses)	4,400	121,047
Administration expenses	(14,099)	(13,652)
Income distributed to ACT	<u>(34,214)</u>	<u>(31,559)</u>
Market value, end of year	<u>\$ 933,617</u>	<u>\$ 977,530</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.

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 2016, \$75,788 (2015 - \$79,117) in pension plan assets were applied to fund 2016 current service costs.

**AIDS COMMITTEE OF TORONTO**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED MARCH 31, 2016**

**10. GOVERNMENT AND OTHER GRANTS**

Government and other grants consist of the following:

	<u>2016</u>	<u>2015</u>
<b>Federal government</b>		
<i>Public Health Agency of Canada:</i>		
Health Promotion	\$ 82,635	\$ 82,764
Positive Youth Outreach	70,590	70,461
Toronto A/C Track Survey	-	9,950
	<u>153,225</u>	<u>163,175</u>
<b>Ontario government</b>		
<i>Ministry of Health - AIDS Bureau (note 11):</i>		
Community-based Education and Support	1,011,746	1,011,746
Women's HIV/AIDS Initiative -		
Toronto	160,200	160,200
Ontario	<u>339,901</u>	<u>379,800</u>
	1,511,847	1,551,746
<i>Ministry of Community and Social Services</i>	<u>511,992</u>	<u>526,737</u>
	<u>2,023,839</u>	<u>2,078,483</u>
<b>City of Toronto</b>		
Gay Men's Harm Reduction	-	12,732
Purchase of services	335,400	319,400
Community Services Partnership	67,520	66,125
Totally OutRight	53,734	53,290
Portugese Men's Outreach	<u>42,859</u>	<u>41,556</u>
	<u>499,513</u>	<u>493,103</u>
<b>Other</b>		
MAC AIDS Foundation	127,575	99,583
Ontario HIV Treatment Network	193,085	152,267
Ryerson University	71,042	69,880
Ontario Trillium Foundation	43,005	66,856
Mid Toronto Community Centre	17,808	16,872
Ontario AIDS Network	-	15,835
Amortization of deferred capital asset contributions (note 6)	42,889	58,835
Other	<u>20,006</u>	<u>67,088</u>
	<u>515,410</u>	<u>547,216</u>
	<u>\$ 3,191,987</u>	<u>\$ 3,281,977</u>

**AIDS COMMITTEE OF TORONTO**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED MARCH 31, 2016**

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

**AIDS BUREAU PROGRAM FUNDING RECONCILIATION - YEAR ENDED MARCH 31, 2016**

	Community based education and support	<u>Women's HIV/AIDS Initiative</u>		Total
		<u>Toronto</u>	<u>Ontario</u>	
<b>Revenues</b>				
Grant	\$ 1,011,746	\$ 160,200	\$ 379,800	\$ 1,551,746
<b>Expenses</b>				
Salaries and wages	593,853	109,585	92,498	795,936
Employee benefits	113,393	25,357	16,764	155,514
	<u>707,246</u>	<u>134,942</u>	<u>109,262</u>	<u>951,450</u>
Rent and utilities	100,000	12,686	25,000	137,686
Supplies and other expenses	27,000	11,411	166,270	204,681
Protected allocations	11,500	1,161	1,294	13,955
	<u>138,500</u>	<u>25,258</u>	<u>192,564</u>	<u>356,322</u>
Other (Towel/Talk)	166,000	-	38,076	204,076
	<u>\$ 1,011,746</u>	<u>\$ 160,200</u>	<u>\$ 339,902</u>	<u>\$ 1,511,848</u>
Unspent portion repayable to Ministry of Health	\$ -	\$ -	\$ 39,898	\$ 39,898

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

ACT has entered in a lease for office premises to November 30, 2022. ACT sub-leases certain of its office premises to third-party tenants. Other revenues include \$103,301 in sub-lease rentals (2015 - \$129,426).

In addition, ACT has entered into multiple operating leases for office equipment. The lease terms vary from 48 to 66 months.

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

2017	\$ 271,474
2018	278,495
2019	285,147
2020	285,147
2021	<u>285,489</u>
	<u>\$ 1,405,752</u>

**13. COMPARATIVE FIGURES**

Comparative figures have been reclassified where necessary to conform to the presentation adopted in the current year.