

FINANCIAL STATEMENTS
For
AIDS COMMITTEE OF TORONTO
For year ended
MARCH 31, 2017

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, 2017 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.

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, 2017 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 26, 2017.

AIDS COMMITTEE OF TORONTO
(Incorporated under the laws of Ontario)
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2017

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 685,020	\$ 1,019,012
Short-term investments (note 3)	1,027,567	142,768
Amounts receivable	426,128	381,132
Prepaid expenses	<u>68,890</u>	<u>69,138</u>
	2,207,605	1,612,050
LONG-TERM INVESTMENTS (note 3)	273,000	422,634
PENSION PLAN ASSET (note 9)	157,115	228,878
CAPITAL ASSETS (note 4)	<u>92,319</u>	<u>148,665</u>
	<u>\$ 2,730,039</u>	<u>\$ 2,412,227</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 490,100	\$ 581,248
Deferred contributions (note 5)	<u>191,792</u>	<u>564,886</u>
	681,892	1,146,134
DEFERRED CAPITAL CONTRIBUTIONS (note 6)	<u>28,033</u>	<u>58,626</u>
	<u>709,925</u>	<u>1,204,760</u>
NET ASSETS		
Internally restricted (note 7)	900,000	500,000
Unrestricted	<u>1,120,114</u>	<u>707,467</u>
	<u>2,020,114</u>	<u>1,207,467</u>
Commitments (note 12)	<u>\$ 2,730,039</u>	<u>\$ 2,412,227</u>

Approved on behalf of the Board:

 Director
 Director

(See accompanying notes)

AIDS COMMITTEE OF TORONTO
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2017

	<u>2017</u>	<u>2016</u>
OPERATING REVENUE		
Government and other grants (notes 10 and 11)	\$ 2,915,408	\$ 3,191,987
Fundraising and community events	1,088,158	1,000,267
Bequests	755,000	78,379
Endowment income - Legacy of Hope Fund (note 8)	32,677	34,214
Investment income	5,468	11,565
Other	<u>43,430</u>	<u>116,481</u>
	<u>4,840,141</u>	<u>4,432,893</u>
OPERATING EXPENSES		
Salaries and benefits	2,593,918	2,760,057
Rent	506,904	489,658
Program materials and resources	306,545	325,457
Office administration	271,405	275,266
Professional services	128,776	145,671
Printing and graphics	108,089	63,328
Advertising and promotion	37,178	54,426
Travel	25,726	19,444
Professional development	15,579	21,043
Amortization of capital assets	<u>33,374</u>	<u>49,750</u>
	<u>4,027,494</u>	<u>4,204,100</u>
EXCESS OF OPERATING REVENUE OVER EXPENSES	<u>\$ 812,647</u>	<u>\$ 228,793</u>

(See accompanying notes)

AIDS COMMITTEE OF TORONTO
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2017

	<u>Internally restricted</u>	<u>Unrestricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
Net assets, beginning of year (note 7)	\$ 500,000	\$ 707,467	\$ 1,207,467	\$ 978,674
Excess of operating revenue over expenses	-	812,647	812,647	228,793
Interfund transfer (note 7)	<u>400,000</u>	<u>(400,000)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 900,000</u>	<u>\$ 1,120,114</u>	<u>\$ 2,020,114</u>	<u>\$ 1,207,467</u>

(See accompanying notes)

AIDS COMMITTEE OF TORONTO
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2017

	<u>2017</u>	<u>2016</u>
CASH GENERATED (USED IN)		
OPERATING ACTIVITIES		
Excess of operating revenue over expenses	\$ 812,647	\$ 228,793
Add (deduct) items not involving cash:		
Amortization of capital assets	33,374	49,750
Amortization of deferred capital contributions	(30,593)	(42,889)
Pension plan settlement	<u>71,763</u>	<u>75,788</u>
	887,191	311,442
Impact on cash of changes in non-cash working capital items:		
Amounts receivable	(44,996)	(188,429)
Prepaid expenses	248	(42,851)
Accounts payable and accrued liabilities	(91,148)	279,248
Deferred contributions	<u>(373,094)</u>	<u>125,882</u>
	<u>378,201</u>	<u>485,292</u>
INVESTING ACTIVITIES		
Purchase of capital assets	<u>-</u>	<u>(177,368)</u>
	<u>-</u>	<u>(177,368)</u>
FINANCING ACTIVITIES		
Purchase of investments, net	(735,165)	(76,298)
Receipt of leasehold improvement allowance	22,972	-
Receipt of deferred capital contributions	<u>-</u>	<u>84,229</u>
	<u>(712,193)</u>	<u>7,931</u>
INCREASE (DECREASE) IN CASH DURING THE YEAR	(333,992)	315,855
CASH, BEGINNING OF YEAR	<u>1,019,012</u>	<u>703,157</u>
CASH, END OF YEAR	<u>\$ 685,020</u>	<u>\$ 1,019,012</u>

(See accompanying notes)

**AIDS COMMITTEE OF TORONTO
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017**

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 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.

AIDS COMMITTEE OF TORONTO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2017

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 at March 31, 2017 consist of interest bearing savings accounts and investment grade Canadian financial institution guaranteed investment certificates with maturity dates ranging from May 2017 to June 2019 and interest rates to maturity ranging from 0.13% to 2.75%.

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 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 2017 or 2016.

4. CAPITAL ASSETS

	2017		2016	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Leasehold improvements	\$ 23,388	\$ 4,005	\$ 46,360	\$ 1,224
Computer hardware	73,631	49,087	73,631	24,543
Computer software	<u>60,490</u>	<u>12,098</u>	<u>60,490</u>	<u>6,049</u>
	157,509	\$ 65,190	180,481	\$ 31,816
Accumulated amortization	<u>(65,190)</u>		<u>(31,816)</u>	
	<u>\$ 92,319</u>		<u>\$ 148,665</u>	

ACT received leasehold inducement of \$22,972 and no capital assets were acquired in the year.

AIDS COMMITTEE OF TORONTO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2017

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>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 564,886	\$ 439,004
Add: Funds received	2,836,237	3,274,980
Less: Amounts transferred to other organizations	(285,557)	-
Less: Amounts payable to funders	(38,959)	-
Less: Amounts recognized as revenue	<u>(2,884,815)</u>	<u>(3,149,098)</u>
Balance, end of year	<u>\$ 191,792</u>	<u>\$ 564,886</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>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 58,626	\$ 17,286
Add: grant for computer purchases (equipment and software)	-	84,229
Less: Amortization of deferred capital contributions	<u>(30,593)</u>	<u>(42,889)</u>
Balance, end of year	<u>\$ 28,033</u>	<u>\$ 58,626</u>

In 2016, the funds were received 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. For 2017, the Board has approved a transfer of \$400,000 (2016 - \$nil) to the Internally Restricted Fund.

AIDS COMMITTEE OF TORONTO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2017

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>2017</u>	<u>2016</u>
Market value, beginning of year	\$ 933,617	\$ 977,530
Investment gains losses	95,460	4,400
Administration expenses	(14,085)	(14,099)
Income distributed to ACT	<u>(32,677)</u>	<u>(34,214)</u>
Market value, end of year	<u>\$ 982,315</u>	<u>\$ 933,617</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 2017, \$71,763 (2016 - \$75,788) in pension plan assets were applied to fund 2017 current service costs.

AIDS COMMITTEE OF TORONTO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2017

10. GOVERNMENT AND OTHER GRANTS

Government and other grants consist of the following:

	<u>2017</u>	<u>2016</u>
Federal government		
<i>Public Health Agency of Canada:</i>		
Health Promotion	\$ 82,871	\$ 82,635
Positive Youth Outreach	70,354	70,590
	<u>153,225</u>	<u>153,225</u>
Ontario government		
<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>379,800</u>	<u>339,901</u>
	1,551,746	1,511,847
<i>Ministry of Community and Social Services</i>	<u>379,172</u>	<u>526,751</u>
	<u>1,930,918</u>	<u>2,038,598</u>
City of Toronto		
Purchase of services	335,400	335,400
Community Services Partnership	69,000	67,520
Totally OutRight	53,734	53,734
Portugese Men's Outreach	<u>43,193</u>	<u>42,859</u>
	<u>501,327</u>	<u>499,513</u>
Other		
MAC AIDS Foundation	132,321	127,575
Ontario HIV Treatment Network	79,027	193,085
Ryerson University	69,838	71,042
Ontario Trillium Foundation	-	43,005
Mid Toronto Community Centre	17,160	17,808
Amortization of deferred capital asset contributions (note 6)	30,593	42,889
Other	<u>999</u>	<u>5,247</u>
	<u>329,938</u>	<u>500,651</u>
	<u>\$ 2,915,408</u>	<u>\$ 3,191,987</u>

AIDS COMMITTEE OF TORONTO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2017

11. MINISTRY OF HEALTH AND LONG-TERM CARE

AIDS BUREAU PROGRAM FUNDING RECONCILIATION - YEAR ENDED MARCH 31, 2017

	Community based education and support	Women's HIV/AIDS Initiative Toronto	Ontario	Total
Revenues				
Grant	\$ 1,011,746	\$ 160,200	\$ 379,800	\$ 1,551,746
Expenses				
Salaries and wages	575,443	113,775	130,737	819,955
Employee benefits	116,207	21,617	19,609	157,433
	<u>691,650</u>	<u>135,392</u>	<u>150,346</u>	<u>977,388</u>
Rent and utilities	115,591	12,000	30,000	157,591
Supplies and other	26,805	11,358	197,724	235,887
Protected allocations	11,700	1,450	1,730	14,880
	<u>154,096</u>	<u>24,808</u>	<u>229,454</u>	<u>408,358</u>
Other (Towel/Talk)	166,000	-	-	166,000
	<u>\$ 1,011,746</u>	<u>\$ 160,200</u>	<u>\$ 379,800</u>	<u>\$ 1,551,746</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 \$17,116 in sub-lease rentals (2016 - \$88,542).

In addition, ACT has entered into multiple operating leases for office equipment. Of which, the lease terms vary from 48 to 66 months expiring between May 2017 and October 2020.

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

2018	\$ 290,132
2019	297,140
2020	297,140
2021	298,704
2022	298,704
Thereafter	<u>209,136</u>
	<u>\$ 1,690,956</u>