

FINANCIAL STATEMENTS
For
AIDS COMMITTEE OF TORONTO
For year ended
MARCH 31, 2019

INDEPENDENT AUDITORS' REPORT

To the Directors of

AIDS COMMITTEE OF TORONTO

Qualified Opinion

We have audited the accompanying financial statements of AIDS Committee of Toronto, which comprise the statement of financial position as at March 31, 2019 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.

In our opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion section of our report the accompanying financial statements present fairly, in all material respects, the statement of financial position of AIDS Committee of Toronto as at March 31, 2019 and the results of its operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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, 2019 and 2018, current assets as at March 31, 2019 and 2018 and unrestricted net assets as at April 1 and March 31 for both the 2018 and 2019 years.

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 AIDS Committee of Toronto 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 AIDS Committee of Toronto's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

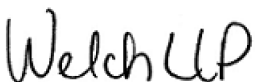
Those charged with governance are responsible for overseeing AIDS Committee of Toronto's financial reporting process.

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 AIDS Committee of Toronto'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 AIDS Committee of Toronto'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 AIDS Committee of Toronto 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.



Chartered Professional Accountants
Licensed Public Accountants


Toronto, Ontario
June 26, 2019

AIDS COMMITTEE OF TORONTO
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2019

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 607,949	\$ 617,013
Short-term investments (note 3)	1,264,959	930,080
Amounts receivable	230,047	249,071
Prepaid expenses	<u>111,106</u>	<u>78,023</u>
	2,214,061	1,874,187
LONG-TERM INVESTMENTS (note 3)	1,376,434	1,642,456
PENSION PLAN ASSET (note 8)	22,291	83,017
CAPITAL ASSETS (note 4)	<u>88,823</u>	<u>67,216</u>
	<u>\$ 3,701,609</u>	<u>\$ 3,666,876</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 451,457	\$ 412,318
Deferred contributions (note 5)	<u>65,341</u>	<u>118,499</u>
	<u>516,798</u>	<u>530,817</u>
NET ASSETS		
Internally restricted (note 6)	900,000	900,000
Unrestricted	<u>2,284,811</u>	<u>2,236,059</u>
	<u>3,184,811</u>	<u>3,136,059</u>
	<u>\$ 3,701,609</u>	<u>\$ 3,666,876</u>
Commitments (note 11)		

Approved on behalf of the Board:

 Director

 Director

(See accompanying notes)

AIDS COMMITTEE OF TORONTO

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2019

	<u>2019</u>	<u>2018</u>
OPERATING REVENUE		
Government and other grants (notes 9 and 10)	\$ 3,124,158	\$ 3,058,777
Fundraising and community events	1,081,938	1,035,717
Investment income (note 3)	72,239	21,996
Bequests	55,817	1,045,304
Endowment income - Legacy of Hope Fund (note 7)	34,816	34,381
Raffle and lottery events	6,600	-
Other	<u>90,278</u>	<u>55,751</u>
	<u>4,465,846</u>	<u>5,251,926</u>
OPERATING EXPENSES		
Salaries and benefits	2,804,341	2,624,310
Rent	517,331	516,076
Program materials and resources	407,722	314,599
Office administration	249,050	272,541
Professional services	219,043	189,835
Printing and graphics	129,686	108,743
Travel	42,435	19,394
Professional development	19,632	14,536
Advertising and promotion	15,741	41,846
Amortization of capital assets	<u>12,113</u>	<u>34,101</u>
	<u>4,417,094</u>	<u>4,135,981</u>
EXCESS OF OPERATING REVENUE OVER EXPENSES	<u>\$ 48,752</u>	<u>\$ 1,115,945</u>

(See accompanying notes)

AIDS COMMITTEE OF TORONTO
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2019

	<u>Internally restricted</u>	<u>Unrestricted</u>	<u>Total 2019</u>	<u>Total 2018</u>
Net assets, beginning of year	\$ 900,000	\$ 2,236,059	\$ 3,136,059	\$ 2,020,114
Excess of operating revenue over expenses	<u>-</u>	<u>48,752</u>	<u>48,752</u>	<u>1,115,945</u>
Net assets, end of year	<u>\$ 900,000</u>	<u>\$ 2,284,811</u>	<u>\$ 3,184,811</u>	<u>\$ 3,136,059</u>

(See accompanying notes)

AIDS COMMITTEE OF TORONTO
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2019

	<u>2019</u>	<u>2018</u>
CASH GENERATED (USED IN)		
OPERATING ACTIVITIES		
Excess of operating revenue over expenses	\$ 48,752	\$ 1,115,945
Add (deduct) items not involving cash:		
Amortization of capital assets	12,113	34,101
Amortization of deferred capital contributions	-	(28,033)
Pension plan settlement	<u>60,726</u>	<u>74,098</u>
	121,591	1,196,111
Impact on cash of changes in non-cash working capital items:		
Amounts receivable	19,024	177,057
Prepaid expenses	(33,083)	(9,133)
Accounts payable and accrued liabilities	39,139	(77,782)
Deferred contributions	<u>(53,158)</u>	<u>(73,293)</u>
	<u>93,513</u>	<u>1,212,960</u>
INVESTING ACTIVITIES		
Purchase of capital assets	<u>(33,720)</u>	<u>(8,998)</u>
FINANCING ACTIVITIES		
Purchase of investments	(614,337)	(2,733,162)
Proceeds from sale of investments	<u>545,480</u>	<u>1,461,193</u>
	<u>(68,857)</u>	<u>(1,271,969)</u>
DECREASE IN CASH	(9,064)	(68,007)
CASH, BEGINNING OF YEAR	<u>617,013</u>	<u>685,020</u>
CASH, END OF YEAR	<u>\$ 607,949</u>	<u>\$ 617,013</u>

(See accompanying notes)

AIDS COMMITTEE OF TORONTO
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019

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.

AIDS COMMITTEE OF TORONTO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2019

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 \$668,404 of money market mutual funds and \$1,205,812 of investment grade Canadian financial institution guaranteed investment certificates ("GICs") with maturity dates ranging from June 2019 to May 2023 and interest rates to maturity ranging from 2.15% to 3.13% (2018 - 1.50% to 2.75%), in which one of the GICs earns variable market-linked interest with a minimum rate of 0.29% (2018 - 0.29%). 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 market value of \$767,177 as at March 31, 2019. Details of activity in the investment managed by the Toronto Foundation during the year are as follows:

	<u>2019</u>	<u>2018</u>
Market value, beginning of year	\$ 752,455	\$ -
Contributions	-	750,000
Investment gains	22,170	3,891
Administration expenses	<u>(7,448)</u>	<u>(1,436)</u>
Market value, end of year	<u>\$ 767,177</u>	<u>\$ 752,455</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 2019 or 2018.

As at March 31, 2019, ACT has an outstanding letter of credit to the City of Toronto for \$11,320 for a raffle held during the year.

AIDS COMMITTEE OF TORONTO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2019

4. CAPITAL ASSETS

	2019		2018	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Leasehold improvements	\$ 41,006	\$ 11,787	\$ 23,388	\$ 7,513
Computer hardware	80,377	74,443	73,631	73,631
Computer software	78,844	25,174	69,488	18,147
	200,227	\$ 111,404	166,507	\$ 99,291
Accumulated amortization	111,404		99,291	
	\$ 88,823		\$ 67,216	

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:

	2019	2018
Balance, beginning of year	\$ 118,499	\$ 191,792
Add:		
Funds received	3,037,346	2,957,451
Less:		
Amounts repaid or repayable to funders	33,654	-
Amounts recognized as revenue	(3,124,158)	(3,030,744)
Balance, end of year	\$ 65,341	\$ 118,499

6. 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. There was no transfer to the Internally Restricted Fund in 2019 or 2018.

AIDS COMMITTEE OF TORONTO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2019

7. 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>2019</u>	<u>2018</u>
Market value, beginning of year	\$ 994,739	\$ 982,315
Investment gains (losses)	(21,186)	61,530
Administration expenses	(7,208)	(14,725)
Income distributed to ACT	<u>(34,816)</u>	<u>(34,381)</u>
Market value, end of year	<u>\$ 931,529</u>	<u>\$ 994,739</u>

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.

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 2019, \$60,726 (2018 - \$74,098) in pension plan assets were applied to fund 2019 current service costs.

AIDS COMMITTEE OF TORONTO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2019

9. **GOVERNMENT AND OTHER GRANTS**

Government and other grants consist of the following:

	<u>2019</u>	<u>2018</u>
Federal government		
<i>Public Health Agency of Canada:</i>		
Health Promotion	\$ 403,387	\$ 190,783
Positive Youth Outreach	<u>8,708</u>	<u>72,677</u>
	<u>412,095</u>	<u>263,460</u>
Ontario government		
<i>Ministry of Health - AIDS Bureau (note 10):</i>		
Community-based Education and Support	1,163,746	1,128,129
Women's HIV/AIDS Initiative -		
Toronto	162,600	146,974
Ontario	<u>429,900</u>	<u>423,489</u>
	<u>1,756,246</u>	<u>1,698,592</u>
<i>Ministry of Community and Social Services</i>	<u>414,679</u>	<u>414,345</u>
	<u>2,170,925</u>	<u>2,112,937</u>
City of Toronto		
Purchase of services	335,400	343,557
Community Services Partnership	105,939	83,758
Totally OutRight	54,872	66,943
Portuguese Men's Outreach	<u>-</u>	<u>10,798</u>
	<u>496,211</u>	<u>505,056</u>
Other		
MAC AIDS Foundation	-	45,729
Ontario HIV Treatment Network	6,169	20,983
Ryerson University	-	67,519
Canadian Institutes of Health Research	24,000	-
Mid Toronto Community Centre	14,758	15,060
Amortization of deferred capital asset contributions	<u>-</u>	<u>28,033</u>
	<u>44,927</u>	<u>177,324</u>
	<u>\$ 3,124,158</u>	<u>\$ 3,058,777</u>

AIDS COMMITTEE OF TORONTO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2019

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

AIDS BUREAU PROGRAM FUNDING RECONCILIATION - YEAR ENDED MARCH 31, 2019

	Community based education and support	<u>Women's HIV/AIDS Initiative</u>		<u>Total</u>
		<u>Toronto</u>	<u>Ontario</u>	
Revenues				
Grant	\$ 1,163,746	\$ 162,600	\$ 429,900	\$ 1,756,246
Expenses				
Salaries and wages	806,741	116,238	174,042	1,097,021
Employee benefits	153,281	21,643	28,168	203,092
	<u>960,022</u>	<u>137,881</u>	<u>202,210</u>	<u>1,300,113</u>
Rent and utilities	155,981	17,045	19,973	192,999
Supplies and other	33,343	6,374	205,981	245,698
Protected allocations	14,400	1,300	1,736	17,436
	<u>203,724</u>	<u>24,719</u>	<u>227,690</u>	<u>456,133</u>
	<u>\$ 1,163,746</u>	<u>\$ 162,600</u>	<u>\$ 429,900</u>	<u>\$ 1,756,246</u>
Unspent portion repayable to Ministry of Health	\$ -	\$ -	\$ -	\$ -

11. **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 \$38,400 in sub-lease rentals (2018 - \$20,880).

In addition, ACT entered into operating leases for office equipment expiring between October 2020 to June 2022.

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

2020	\$ 306,680
2021	308,244
2022	314,244
2023	<u>205,521</u>
	<u>\$ 1,134,689</u>