

Casey House Hospice Inc.
(a not-for-profit charitable corporation)

Financial Statements
March 31, 2011

May 19, 2011

Independent Auditor's Report

**To the Directors of
Casey House Hospice Inc.**

We have audited the accompanying financial statements of Casey House Hospice Inc., which comprise the statement of financial position as at March 31, 2011 and the statements of revenue and expenditures and changes in net assets and cash flows for the year then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditor's 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 Casey House Hospice Inc. as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Casey House Hospice Inc.

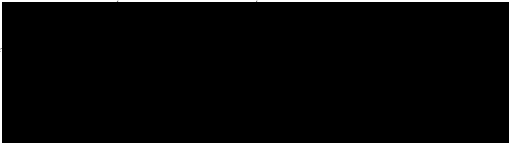
Statement of Financial Position

As at March 31, 2011

	2011 \$	2010 \$
Assets		
Current assets		
Cash	407,530	218,059
Accounts receivable and other	233,247	24,739
Due from Casey House Foundation (note 4)	382,037	616,939
	<hr/> 1,022,814	<hr/> 859,737
Investments (note 3)	899,368	875,369
Property and equipment (note 5)	5,476,256	5,595,359
Deferred charges (note 6)	988,685	633,794
	<hr/> 8,387,123	<hr/> 7,964,259
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	639,656	615,366
Current portion of mortgage payable (note 7)	42,514	40,008
	<hr/> 682,170	<hr/> 655,374
Post-employment benefits (note 12)	179,000	169,200
Mortgage payable (note 7)	731,908	775,041
Deferred contributions and grants (note 8)	2,331,482	1,814,512
	<hr/> 3,924,560	<hr/> 3,414,127
Net Assets		
Unrestricted	4,462,563	4,550,132
	<hr/> 8,387,123	<hr/> 7,964,259

Approved by the Board of Directors

 Director

 Director

Casey House Hospice Inc.

Statement of Revenue and Expenditures and Changes in Net Assets

For the year ended March 31, 2011

	2011	2010
	\$	\$
Revenue		
Provincial grants (note 13)	4,772,112	4,604,412
Grants from Casey House Foundation (note 4)	990,789	1,211,450
Community Care Access Centre billings	92,531	114,100
Interest	17,061	2,550
Other	78,091	109,295
Amortization of deferred contributions and grants	105,440	105,834
Unrealized investment gain	8,493	-
	<hr/> 6,064,517	<hr/> 6,147,641
Expenditures		
Salaries and benefits	4,527,873	4,373,470
General and administrative	468,254	438,237
Interest	49,738	54,999
Pharmaceuticals	470,710	523,613
Resident/client care	232,955	250,014
Building and maintenance	181,589	385,318
Amortization of property and equipment	220,967	217,055
	<hr/> 6,152,086	<hr/> 6,242,706
Deficiency of revenue over expenditures for the year	(87,569)	(95,065)
Unrestricted net assets - Beginning of year	<hr/> 4,550,132	<hr/> 4,645,197
Unrestricted net assets - End of year	<hr/> <hr/> 4,462,563	<hr/> <hr/> 4,550,132

Casey House Hospice Inc.

Statement of Cash Flows

For the year ended March 31, 2011

	2011 \$	2010 \$
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenditures for the year	(87,569)	(95,065)
Adjustments for non-cash items		
Amortization of property and equipment	220,967	217,055
Amortization of deferred contributions and grants	(105,440)	(105,834)
Net post-employment benefits cost	9,800	1,300
	<hr/>	<hr/>
	37,758	17,456
Changes in net working capital		
Accounts receivable and other	(208,508)	52,117
Accounts payable and accrued liabilities	24,290	(39,699)
Due from Casey House Foundation	234,902	(452,275)
	<hr/>	<hr/>
	(88,442)	(422,401)
Investing activities		
Purchase of property and equipment	(101,864)	(145,964)
Deferred charges incurred	(354,891)	(22,427)
Net change in investments	(23,999)	97,528
	<hr/>	<hr/>
	(480,754)	(70,863)
Financing activities		
Repayment of mortgage principal	(40,627)	(37,491)
Deferred contributions and grants received	622,410	216,942
	<hr/>	<hr/>
	581,783	179,451
Increase (decrease) in cash during the year	189,471	(313,813)
Cash - Beginning of year	<hr/>	<hr/>
	218,059	531,872
Cash - End of year	<hr/>	<hr/>
	407,530	218,059
Supplemental disclosure		
Interest paid	49,738	54,999

Casey House Hospice Inc.

Notes to Financial Statements

March 31, 2011

1 Organization

Casey House Hospice Inc. (Casey House) was incorporated without share capital on October 28, 1986 under the Ontario Corporations Act to operate a not-for-profit hospice providing palliative and supportive care to people living with HIV/AIDS. Casey House is registered as a charity within the meaning of the Income Tax Act (Canada) and is exempt from income taxes provided certain requirements of the Income Tax Act are met. Casey House is affiliated with St. Michael's Hospital under an original agreement dated January 15, 1988 and most recently renewed on May 18, 2006.

2 Summary of significant accounting policies

Revenue recognition

Casey House follows the deferral method of accounting for contributions, which includes donations, grants from Casey House Foundation, and government grants.

Under the Health Insurance Act (Ontario) and the regulations thereunder, Casey House is funded primarily by the Province of Ontario in accordance with funding arrangements established by the Local Health Integration Network (LHIN) under the Ministry of Health and Long-Term Care. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period, unless a request for funds to be repaid is made by LHIN, at which time the amounts are reclassified as a liability.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Amounts received for property and equipment are amortized into income on the same basis as the associated property and equipment.

Future accounting changes

In December 2010, the Canadian Accounting Standards Board issued a comprehensive set of accounting standards applicable to not-for-profit organizations. The standards are effective for fiscal years beginning on or after January 1, 2012 and require retrospective application, except for certain exemptions and exceptions contained within the standards. Early adoption of the standards is permitted. Casey House is currently considering the impact of the adoption of these standards, which is specifically effective for Casey House for the fiscal year beginning April 1, 2012.

Casey House Hospice Inc.

Notes to Financial Statements

March 31, 2011

Financial instruments - recognition and measurement

The following is a summary of the classification of each of Casey House's financial instruments:

Cash	held-for-trading
Investments	held-for-trading
Accounts receivable and other	loans and receivables
Due from Casey House Foundation	loans and receivables
Accounts payable and accrued liabilities	other financial liabilities
Mortgage payable	other financial liabilities

Financial assets classified as held-for-trading are recorded at fair market value at the financial statement date. Interest earned or accrued, gains and losses realized on disposal, transaction costs and unrealized gains and losses from changes in fair value are included in interest income.

Amounts classified as loans and receivables or other financial liabilities are accounted for at amortized cost.

The estimated fair values of cash, accounts receivable and other, related party receivables and payables and accounts payable and accrued liabilities approximate their carrying values in the financial statements due to their short-term nature. The mortgage payable approximates its fair value due to the market rate of interest paid.

Casey House has chosen to continue to apply CICA Handbook Section 3861, Financial Instruments - Disclosure and Presentation, in place of Section 3862, Financial Instruments - Disclosure, and Section 3863, Financial Instruments - Presentation.

Contributed materials and services

A number of volunteers contribute their services to Casey House each year. Due to the difficulty of determining the fair value, these contributed services are not recognized or disclosed in the notes to the financial statements. Contributed materials are recorded, when received, at fair value.

Property and equipment

Property and equipment are recorded at cost and amortized commencing in the year of acquisition on a straight-line basis over their estimated useful lives as follows:

Buildings	40 years
Building improvements	10 to 40 years
Furniture, fixtures and equipment	3 to 5 years

Artwork includes various prints and paintings donated to Casey House. The artwork is recorded at its appraised value at the time of donation and is not amortized.

Impairment of long-lived assets

Casey House reviews the carrying amount of long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Any impairment determined by a

Casey House Hospice Inc.

Notes to Financial Statements

March 31, 2011

comparison of the estimated undiscounted future operating cash flows to be generated by the asset with its net carrying value is written off at the time of impairment.

Post-employment benefits

Post-employment benefits relate to life insurance, health and dental benefits paid to employees post-employment with Casey House. The plan is unfunded. The accrued benefit obligation and the current service cost were actuarially determined using the projected benefit method pro-rated on service and based on management's best estimates. Current market interest rates, for the periods over which payments are estimated to be required, are used to estimate the present value of future benefit obligations. Actuarial experience gains or losses are amortized over the average remaining service period to retirement.

Use of estimates

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, which require the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenditures during the reporting period. Actual results could differ from those estimates.

3 Investments

Investments in pooled funds are recorded at the quoted market values of the securities held by the funds provided by the administrator of the pooled funds.

4 Economic interest - Casey House Foundation

Casey House has an economic interest in the Casey House Foundation (the Foundation). The Foundation was established to provide financial support for the capital and operating expenditures of Casey House that are not otherwise funded. The Foundation is registered as a charitable foundation within the meaning of the Income Tax Act (Canada). Fees and funding provided by the Foundation to Casey House during the year are as follows:

	2011	2010
	\$	\$
Operating grant	957,690	1,172,951
One-time project grant for the Women's HIV Health Care Program, Child Care Project, Recreation Therapy Program and Community Education	33,099	38,499
	<hr/>	<hr/>
	990,789	1,211,450
Administrative service fees	30,000	30,000
Capital grants	43,941	37,491

Casey House Hospice Inc.

Notes to Financial Statements

March 31, 2011

The amount due from the Foundation of \$382,037 (2010 - \$616,939) represents grants rewarded but not received as at the year-end date.

5 Property and equipment

	2011		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Land	2,141,466	-	2,141,466
Buildings	2,766,636	1,148,218	1,618,418
Building improvements	2,860,503	1,223,570	1,636,933
Furniture, fixtures and equipment	1,179,815	1,142,543	37,272
Artwork	42,167	-	42,167
	8,990,587	3,514,331	5,476,256
	2010		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Land	2,141,466	-	2,141,466
Buildings	2,766,636	1,079,052	1,687,584
Building improvements	2,791,430	1,094,304	1,697,126
Furniture, fixtures and equipment	1,147,024	1,120,008	27,016
Artwork	42,167	-	42,167
	8,888,723	3,293,364	5,595,359

6 Deferred charges

Deferred charges represent amounts incurred in relation to the planned expansion of the building.

7 Mortgage payable

The mortgage with The Equitable Trust Company is secured by the property at 571 Jarvis Street and has been guaranteed by the Foundation. The mortgage bears interest at 6.0% with blended monthly payments of \$7,318.57. The mortgage matures on September 5, 2014 and is open for repayment of up to 15% of the original principal on each anniversary date.

Casey House Hospice Inc.

Notes to Financial Statements

March 31, 2011

Principal repayments on mortgage are as follows:

	\$
2012	42,514
2013	45,136
2014	47,920
2015	638,852
	<u>774,422</u>

8 Deferred contributions and grants

	2011 \$	2010 \$
Balance - Beginning of year	1,814,512	1,703,404
Contributions received and grants approved during the year	622,410	216,942
Amortized to revenue during the year	(105,440)	(105,834)
	<u>2,331,482</u>	<u>1,814,512</u>

Included in the deferred grants above is \$325,171 (2010 - \$182,614) of unspent grants from the Hospital Infrastructure Renewal Fund (HIRF) for minor capital projects that extend the useful life of the facility or improved the facility's quality or functionality.

	2011 \$	2010 \$
Unspent HIRF grant, beginning of year	182,614	170,074
Grants received during the year	178,469	179,451
Grants spent on approved projects	(35,912)	(166,911)
	<u>325,171</u>	<u>182,614</u>

9 Pension plan

Substantially all of the employees of Casey House are members of the Hospitals of Ontario Pension Plan (HOOPP), which is a multi-employer, final average pay contributory pension plan. HOOPP is accounted for as a defined contribution plan. Contributions made to HOOPP during the year are included in salaries and benefits in the statement of revenue and expenditures and changes in net assets and amounted to \$248,800 (2010 - \$242,722).

Casey House Hospice Inc.

Notes to Financial Statements

March 31, 2011

10 Community program

Operating results for the community program which are included in the statement of revenue and expenditures and changes in net assets are as follows:

	2011	2010
	\$	\$
Revenue		
Grants from Casey House Foundation	783,987	698,574
Community Care Access Centre billings	92,531	114,100
	<u>876,518</u>	<u>812,674</u>
Expenditures		
Salaries and benefits	663,620	582,263
Administrative	188,975	208,521
Enhanced services (i)	23,923	21,890
	<u>876,518</u>	<u>812,674</u>
Excess of revenue over expenditures	<u>-</u>	<u>-</u>

(i) Enhanced services include primarily Personal Support Workers and complementary therapies.

11 AIDS Bureau Grant for Community Education Program

Provincial grants include funding from the AIDS Bureau to support Casey House's Community Education program. Funds are recoverable by the AIDS Bureau and therefore have been included in accounts payable and accrued liabilities.

	2011	2010
	\$	\$
Funds received	<u>96,712</u>	<u>91,712</u>
Salaries and benefits	84,779	78,458
Supplies and other expenses	11,933	13,254
Total distribution	<u>96,712</u>	<u>91,712</u>
Funds received in excess of distributions	<u>-</u>	<u>-</u>

Casey House Hospice Inc.

Notes to Financial Statements

March 31, 2011

12 Post-employment benefits

A summary of Casey House's post-employment plan for life insurance, health and dental benefits is as follows based on the latest full actuarial valuation completed as at March 31, 2009:

	2011	2010
	\$	\$
Changes in accrued benefit obligation		
Accrued benefit obligation - Beginning of year	96,700	70,000
Service cost	13,500	9,900
Experience loss	6,600	15,300
Interest on accrued benefit obligation	6,000	6,000
Benefits paid	(2,700)	(4,500)
	<hr/>	<hr/>
Accrued benefit obligation - End of year	120,100	96,700
	<hr/>	<hr/>
Reconciliation of accrued benefit obligation to accrued benefit liability		
Accrued benefit obligation	120,100	96,700
Unamortized experience gain	58,900	72,500
	<hr/>	<hr/>
Accrued benefit liability	179,000	169,200
	<hr/>	<hr/>
Net benefit cost		
Current service	13,500	9,900
Interest	6,000	6,000
	<hr/>	<hr/>
	19,500	15,900
	<hr/>	<hr/>
Discount rate	4.75%	5.50%
Average remaining service period	9 years	9 years

The assumed dental care cost trend used in determining the benefit expense for 2011 is 4.0% (2010 - 4.0%).

The assumed extended health care cost trend used in determining the benefit expense for 2011 is 8.5% (2010 - 9.0%).

13 Economic dependence

Casey House is dependent on the LHIN for the majority of its operating funds. LHIN funding to Casey House for the year was \$4,772,112 (2010 - \$4,604,412), which comprises approximately 74% (2010 - 75%) of Casey House's total revenue.

Casey House Hospice Inc.

Notes to Financial Statements

March 31, 2011

14 Capital management

Casey House defines its capital as the amounts included in its net assets.

Casey House's objective when managing its capital is to safeguard its ability to continue as a going concern so that it can continue to provide the appropriate level of benefits and services. Casey House manages its capital in line with the changes in the economic conditions and the risk characteristics of the underlying assets.

A portion of Casey House's capital relating to HIRF funding and AIDS Bureau funding, is restricted in that Casey House is required to meet certain requirements in order to utilize this funding as described in note 8 and note 11. Casey House has internal control processes to ensure the restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the year.