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

Financial Statements
March 31, 2012

May 30, 2012

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, 2012 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.

PricewaterhouseCoopers LLP, Chartered Accountants
400 Bradwick Drive, Suite 100, Concord, Ontario, Canada L4K 5V9
T: +1 905 326 6800, F: +1 905 326 5339

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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, 2012 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, 2012

	2012 $	2011 $
Assets		
Current assets		
Cash	292,816	407,530
Accounts receivable and other	92,146	233,247
Due from Casey House Foundation (note 4)	288,298	382,037
	673,260	1,022,814
Investments (note 3)	885,981	899,368
Property and equipment (note 5)	5,311,627	5,476,256
Deferred charges (note 6)	1,369,877	988,685
	8,240,745	8,387,123
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	623,758	639,656
Current portion of mortgage payable (note 7)	45,136	42,514
	668,894	682,170
Post-employment benefits (note 12)	190,600	179,000
Mortgage payable (note 7)	686,182	731,908
Deferred contributions and grants (note 8)	2,315,355	2,331,482
	3,861,031	3,924,560
Net Assets		
Unrestricted	4,379,714	4,462,563
	8,240,745	8,387,123

Approved by the Board of Directors

[redacted] Director

[redacted] Director

Casey House Hospice Inc.

Statement of Revenue and Expenditures and Changes in Net Assets

For the year ended March 31, 2012

	2012 $	2011 $
Revenue		
Provincial grants (note 13)	4,855,503	4,772,112
Grants from Casey House Foundation (note 4)	960,652	990,789
Community Care Access Centre billings	69,281	92,531
Interest	19,887	17,061
Other	124,690	78,091
Amortization of deferred contributions and grants	102,577	105,440
Unrealized investment gain	-	8,493
	6,132,590	6,064,517
Expenditures		
Salaries and benefits	4,717,715	4,527,873
General and administrative	409,416	468,254
Interest	48,816	49,738
Pharmaceuticals	365,318	470,710
Resident/client care	237,296	232,955
Building and maintenance	186,138	181,589
Amortization of property and equipment	221,012	220,967
Unrealized investment loss	29,728	-
	6,215,439	6,152,086
Deficiency of revenue over expenditures for the year	(82,849)	(87,569)
Unrestricted net assets - Beginning of year	4,462,563	4,550,132
Unrestricted net assets - End of year	4,379,714	4,462,563

Casey House Hospice Inc.

Statement of Cash Flows

For the year ended March 31, 2012

	2012 $	2011 $
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenditures for the year	(82,849)	(87,569)
Adjustments for non-cash items		
Amortization of property and equipment	221,012	220,967
Amortization of deferred contributions and grants	(102,577)	(105,440)
Net post-employment benefits cost	11,600	9,800
	47,186	37,758
Changes in net working capital		
Accounts receivable and other	141,101	(208,508)
Accounts payable and accrued liabilities	(15,898)	24,290
Due from Casey House Foundation	93,739	234,902
	266,128	88,442
Investing activities		
Purchase of property and equipment	(56,383)	(101,864)
Deferred charges incurred	(381,192)	(354,891)
Net change in investments	13,387	(23,999)
	(424,188)	(480,754)
Financing activities		
Repayment of mortgage principal	(43,104)	(40,627)
Deferred contributions and grants received	86,450	622,410
	43,346	581,783
Increase (decrease) in cash during the year	(114,714)	189,471
Cash - Beginning of year	407,530	218,059
Cash - End of year	292,816	407,530
Supplemental disclosure		
Interest paid	48,816	49,738

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

Effective for fiscal years beginning on January 1, 2012, government controlled not-for-profit organizations are required to choose between Canadian Public Sector Accounting Standards (PSAS) and PSAS for not-for-profit organizations. Early adoption of these standards is permitted. Casey House currently plans to adopt PSAS for not-for-profit organizations for its fiscal year beginning April 1, 2012. The impact of the transition has not been determined at this time.

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 the Canadian Institute of Chartered Accountants (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

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 fair 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:

	2012 $	**2011** $
Operating grant	879,620	957,690
One-time project grant for the Women’s HIV Health Care Program, Child Care Project, Recreation Therapy Program and Community Education	81,032	33,099
	960,652	990,789
Administrative service fees	30,000	30,000
Capital grants	43,102	43,941

The amount due from the Foundation of $288,298 (2011 - $382,037) represents grants rewarded but not received as at the year-end date.

5 Property and equipment

			2012
	Cost $	Accumulated amortization $	Net $
Land	2,141,466	-	2,141,466
Buildings	2,766,636	1,217,384	1,549,252
Building improvements	2,897,792	1,355,144	1,542,648
Furniture, fixtures and equipment	1,198,909	1,162,815	36,094
Artwork	42,167	-	42,167
	9,046,970	3,735,343	5,311,627

			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

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.

Principal repayments on mortgage are as follows:

	$
2013	45,136
2014	47,959
2015	638,223
	731,318

8 Deferred contributions and grants

	2012 $	2011 $
Balance - Beginning of year	2,331,482	1,814,512
Contributions received and grants approved during the year	86,450	622,410
Amortized to revenue during the year	(102,577)	(105,440)
Balance - End of year	2,315,355	2,331,482

Included in the deferred grants above is $338,862 (2011 - $325,171) 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.

	2012 $	2011 $
Unspent HIRF grant, beginning of year	325,171	182,614
Grants received during the year	37,580	178,469
Grants spent on approved projects	(23,889)	(35,912)
Unspent HIRF grant, end of year	338,862	325,171

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 $240,530 (2011 - $248,800).

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:

	2012 $	2011 $
Revenue		
Grants from Casey House Foundation	803,608	783,987
Community Care Access Centre billings	69,282	92,531
	872,890	876,518
Expenditures		
Salaries and benefits	684,445	663,620
Administrative	163,072	188,975
Enhanced services (i)	25,373	23,923
	872,890	876,518
Excess of revenue over expenditures	-	-

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.

	2012 $	2011 $
Funds received	94,512	96,712
Salaries and benefits	79,115	84,779
Supplies and other expenses	15,397	11,933
Total distribution	94,512	96,712
Funds received in excess of distributions	-	-

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:

	2012 **$**	**2011** **$**
Changes in accrued benefit obligation		
Accrued benefit obligation - Beginning of year	120,100	96,700
Service cost	15,300	13,500
Experience loss	9,200	6,600
Interest on accrued benefit obligation	6,300	6,000
Benefits paid	(4,800)	(2,700)
Accrued benefit obligation - End of year	146,100	120,100
Reconciliation of accrued benefit obligation to accrued benefit liability		
Accrued benefit obligation	146,100	120,100
Unamortized experience gain	44,500	58,900
Accrued benefit liability	190,600	179,000
Net benefit cost		
Current service	15,300	13,500
Interest	6,300	6,000
	21,600	19,500
Discount rate	3.75%	4.75%
Average remaining service period	9 years	9 years

The assumed dental care cost trend used in determining the benefit expense for 2012 is 4.0% (2011 - 4.0%). The assumed extended health-care cost trend used in determining the benefit expense for 2012 is 8.25% (2011 - 8.5%).

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 $4,855,503 (2011 - $4,772,112), which comprises approximately 79% (2011 - 74%) of Casey House's total revenue.

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.