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

Financial Statements
(in accordance with Public Sector Accounting Standards
including PS 4200 sections)
March 31, 2013, March 31, 2012, and April 1, 2011

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June 7, 2013

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 statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, statements of operations and changes in unrestricted net assets and cash flows for the years ended March 31, 2013 and March 31, 2012 and the statement of remeasurement gains and losses for the year ended March 31, 2013, and the related notes, which comprise 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 public sector 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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.

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We believe that the audit evidence we have obtained in our audits 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, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and April 1, 2011 in accordance with Canadian public sector accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Casey House Hospice Inc.

Statement of Financial Position

As at March 31, 2013, March 31, 2012, and April 1, 2011

	March 31, 2013 $	March 31, 2012 $ (note 3 - restated)	April 1, 2011 $ (note 3- restated)
Assets			
Current assets			
Cash	304,903	292,816	407,530
Accounts receivable and other	2,592,723	92,146	233,247
Due from Casey House Foundation (note 5)	318,809	288,298	382,037
	3,216,435	673,260	1,022,814
Investments (note 4)	921,603	885,981	899,368
Property and equipment (note 6)	6,975,228	6,681,504	6,464,941
	11,113,266	8,240,745	8,387,123
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	592,328	623,758	639,656
Current portion of mortgage payable (note 7)	47,993	45,136	42,514
	640,321	668,894	682,170
Post-retirement benefit obligations (note 12)	150,200	130,100	109,700
Mortgage payable (note 7)	637,598	686,182	731,908
Deferred contributions and grants (note 8)	5,372,857	2,315,355	2,331,482
	6,800,976	3,800,531	3,855,260
Net assets			
Unrestricted	4,303,458	4,440,214	4,531,863
Accumulated remeasurement gains	8,832	-	-
	4,312,290	4,440,214	4,531,863
	11,113,266	8,240,745	8,387,123

Approved by the Board of Directors

[redacted] Director [redacted] Director

The accompanying notes are an integral part of these financial statements.

Casey House Hospice Inc.

Statements of Operations and Changes in Unrestricted Net Assets

For the years ended March 31, 2013 and March 31, 2012

	2013 $	2012 $ (note 3 - restated)
Revenue		
Provincial grants (notes 11 and 13)	4,832,554	4,855,503
Grants from Casey House Foundation (note 5)	882,709	960,652
Community Care Access Centre billings	116,529	69,281
Interest	33,394	19,887
Other	115,271	124,690
Amortization of deferred contributions and grants	122,371	102,577
	6,102,828	6,132,590
Expenditures		
Salaries and benefits	4,751,898	4,726,515
General and administrative	364,397	409,416
Interest	49,085	48,816
Pharmaceuticals	404,662	365,318
Resident/client care	240,039	237,296
Building and maintenance	190,259	186,138
Amortization of property and equipment	239,244	221,012
Unrealized investment loss	-	29,728
	6,239,584	6,224,239
Deficiency of revenue over expenditures for the year	(136,756)	(91,649)
Unrestricted net assets - Beginning of year	4,440,214	4,531,863
Unrestricted net assets - End of year	4,303,458	4,440,214

The accompanying notes are an integral part of these financial statements.

Casey House Hospice Inc.

Statement of Remeasurement Gains and Losses

For the years ended March 31, 2013 and March 31, 2012

	$
Accumulated remeasurement losses - April 1, 2012	-
Unrealized gains attributable to investments for the year	8,832
Realized gains reclassified to statement of operations	-
Net remeasurement gains for the year	8,832
Accumulated remeasurement gains - March 31, 2013	8,832

The accompanying notes are an integral part of these financial statements.

Casey House Hospice Inc.

Statements of Cash Flows

For the years ended March 31, 2013 and March 31, 2012

	2013 $	2012 $ (note 3-restated)
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenditures for the year	(136,756)	(91,649)
Adjustments for non-cash items		
Amortization of property and equipment	239,244	221,012
Amortization of deferred contributions and grants	(122,371)	(102,577)
Unrealized investment loss	-	29,728
Net post-employment benefits cost	20,100	20,400
	217	76,914
Changes in net working capital		
Accounts receivable and other	(2,500,577)	141,101
Accounts payable and accrued liabilities	(130,486)	58,375
Due from Casey House Foundation	(30,511)	93,739
	(2,661,357)	370,129
Capital Activities		
Purchase of Capital Assets net of accounts payable and accrued liabilities related to purchase of capital assets (2012 - $nil)	(433,912)	(511,848)
	(433,912)	(511,848)
Investing activities		
Purchase of investments	(26,790)	(16,341)
	(26,790)	(16,341)
Financing activities		
Repayment of mortgage principal	(45,727)	(43,104)
Deferred contributions and grants received	3,179,873	86,450
	3,134,146	43,346
Increase (decrease) in cash during the year	12,087	(114,714)
Cash - Beginning of year	292,816	407,530
Cash - End of year	304,903	292,816
Supplemental disclosure		
Interest paid	49,085	48,816

The accompanying notes are an integral part of these financial statements.

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 30, 2011.

2 Summary of significant accounting policies

Basis of presentation

The financial statements of Casey House are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS), including accounting standards that apply to government not-for-profit organizations.

These financial statements include the assets, liabilities and activities of Casey House. The financial statements do not include the activities of Casey House Foundation, which is an non-controlled not-for-profit entity.

Revenue recognition

Under the Health Insurance Act (Ontario) and the regulations thereto, Casey House is funded primarily by the Province of Ontario in accordance with funding arrangements established by the Ministry of Health and Long-Term Care (the Ministry) and the Local Health Integration Network (LHIN). These financial statements reflect agreed funding arrangements by the Ministry and the LHIN with respect to the year ended March 31, 2013.

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

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.

Contributions received in the form of donations and grants for specific capital expenditures are initially deferred and recorded as deferred capital contributions. These deferred capital contributions are realized into income on the same basis as the amortization of the cost of the related property and equipment.

Use of estimates

The preparation of financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Estimates are used primarily in the determination of the collectability of accounts receivable. The provisions against those balances are primarily assessed on historical collectability of the accounts with specific provisions made for larger outstanding balances deemed potentially uncollectible.

Property and equipment

Property and equipment are recorded at cost, less accumulated amortization. Commencing in the year of acquisition, amortization is provided for on a straight-line basis over the estimated useful lives of the various classes of assets 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.

Casey House reviews the carrying amount of long-lived assets for impairment whenever events or changes in circumstances indicate the asset no longer has any long-term service potential to Casey House. The impairment loss, if any, is the excess of the carrying value over any residual value. Writedowns are not reversed.

Contributed materials and services

A number of volunteers contribute their services to Casey House each year. Since these services are not normally purchased by Casey House and because of 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.

Leases

Operating lease costs are recognized as an expense on a straight-line basis over the life of the lease.

Investments

Casey House invests in pooled funds. The investments are recorded at the quoted fair values of securities held by the funds. Transaction costs related to investments are expensed as incurred.

Changes in fair value of investments are recorded in the statement of remeasurement gains and losses until the financial instrument is settled. Transaction costs are expensed as incurred. Interest and dividends attributable to the investments are reported in the statements of operations.

Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statements of operations.

Employee future benefits

Employee future 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 of salary escalation, retirement ages of employees, and health-care costs. The discount rate used to determine the accrued benefit obligation was determined by reference to Casey House's cost of borrowing consistent with the specific rates of interest and periods committed to by Casey House on amounts borrowed. Actuarial gains and losses are amortized over the remaining service lives of the employees. Past service costs are expensed when incurred.

Sick days that accumulate, but do not vest, are accrued for as an employee benefit.

3 Transition to Canadian Public Sector Accounting Standards

Commencing with the 2013 fiscal year, Casey house has adopted PSAS. These financial statements are the first financial statements for which Casey House has applied PSAS. Casey House has elected to apply PSAS standards that apply only to government not-for-profit organizations.

The impact of the transition to PSAS on the accumulated net deficiency at the date of transition, April 1, 2011, and the comparative annual deficit is presented below. These accounting changes have been applied retroactively with restatement of prior periods except for the accounting standards contained in PS3450 as this standard specifically prohibits retroactive application. The following changes have been implemented to comply with PSAS:

a) Statement of financial position

	April 1, 2011 $
Employee future benefits – as originally reported	179,000
Discount rate (i)	(10,400)
Initial recognition of unamortized (gains)/losses (ii)	(58,900)
Employee future benefits – as restated	109,700

The transition to PSAS standards also included the adoption of Section 3450, Financial Instruments. Casey House has applied this standard prospectively. Therefore, financial statements of prior periods, including comparative information, have not been restated.

b) Statement of operations

	March 31, 2012 $
Deficiency of revenue over expenditures for the year - as originally reported	(82,849)
Adjustments to deficiency of revenue over expenditures for the year due to conversion to PSAS	
Employee future benefits	
Discount rate (i)	(3,600)
Initial recognition of unamortized gains/(losses) (ii)	(5,200)
Deficiency of revenue over expenditures for the year - as restated	(91,649)

c) Net assets

The impact of the transition on unrestricted net assets is as follows:

	April 1, 2011 $
Unrestricted net assets - as originally reported	4,462,563
Adjustments due to conversion to PSAS	
Employee future benefits	
Discount rate (i)	10,400
Initial recognition of unamortized gains/(losses) (ii)	58,900
Unrestricted net assets - as restated	4,531,863

i) Casey House has revalued its pension benefit obligations using a discount rate that reflects Casey House's cost of borrowing. This change has been applied retroactively.

ii) Casey House has elected to apply the transitional exemption allowing them to recognize all cumulative actuarial gains and losses as at the date of transition directly into accumulated operating deficit. Accumulated actuarial gains and losses realized post transition are amortized over the remaining service life of the employees.

d) Adoption of PS 3450 - Financial Instruments

Casey House adopted PS 3450 - Financial Instruments standard on a prospective basis as required by the standard.

4 Investments

	2013 $	2012 $
Money Market Fund	406,109	403,663
Canadian Bond Fund	183,755	185,756
Canadian Equity Fund	220,524	197,710
International Equity Fund	111,215	98,852
	921,603	885,981

5 Economic interest - Casey House Foundation

Casey House has an economic interest in 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:

	2013 $	2012 $
Operating grant	725,716	879,620
One-time project grant for the Women's HIV Health Care Program, Child Care Project, Recreation Therapy Program and Community Education	156,993	81,032
	882,709	960,652
Administrative service fees	30,000	30,000
Redevelopment grants	544,854	-
Capital grants	45,727	43,104

The amount due from the Foundation of $318,809 (2012 - $288,298) represents grants rewarded but not received as at the year-end date.

6 Property and equipment

	Land $	Buildings $	Building improvements $	Furniture, fixtures, and equipment $	Artwork $	Construction-in-progress $	Total $
Cost of purchases							
As at April 1, 2012	2,141,466	2,766,636	2,856,840	1,198,909	42,167	1,410,829	10,416,847
Additions	-	-	197,958	4,405	-	330,605	532,968
Disposals	-	-	-	-	-	-	-
As at March 31, 2013	2,141,466	2,766,636	3,054,798	1,203,314	42,167	1,741,434	10,949,815
Accumulated amortization							
As at April 1, 2012	-	1,217,384	1,355,144	1,162,815	-	-	3,735,343
Amortization	-	69,166	151,446	18,632	-	-	239,244
Disposals	-	-	-	-	-	-	
As at March 31, 2013	-	1,286,550	1,506,590	1,181,447	-	-	3,974,587
Carrying amount							
As at March 31, 2013	2,141,466	1,480,086	1,548,208	21,867	42,167	1,741,434	6,975,228

Construction-in-progress consists primarily of the amounts incurred in relation to the planned expansion of the building.

	Land $	Buildings $	Building improvements $	Furniture, fixtures, and equipment $	Artwork $	Construction in progress $	Total $
Cost of purchases							
As at April 1, 2011	2,141,466	2,766,636	2,832,997	1,179,815	42,167	1,016,191	9,979,272
Additions	-	-	23,843	19,094	-	394,638	437,575
Disposals	-	-	-	-	-	-	-
As at March 31, 2012	2,141,466	2,766,636	2,856,840	1,198,909	42,167	1,410,829	10,416,847
Accumulated amortization							
As at April 1, 2011	-	1,148,218	1,223,570	1,142,543	-	-	3,514,331
Amortization	-	69,166	131,574	20,272	-	-	221,012
Disposals	-	-	-	-	-	-	-
As at March 31, 2012	-	1,217,384	1,355,144	1,162,815	-	-	3,735,343
Carrying amount - March 31, 2012	2,141,466	1,549,252	1,501,696	36,094	42,167	1,410,829	6,681,504

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:

	$
2014	47,993
2015	637,598
	685,591

8 Deferred contributions and grants

	2013 $	2012 $
Balance - Beginning of year	2,315,355	2,331,482
Contributions received and grants approved during the year		
Casey House Foundation redevelopment grant	544,854	-
Ministry of Health redevelopment grant	2,500,000	-
Others	135,019	86,450
Amortized to revenue during the year	(122,371)	(102,577)
Balance - End of year	5,372,857	2,315,355

Included in the deferred grants above is $166,045 (2012 - $338,862) of unspent grants from Casey House Infrastructure Renewal Fund (HIRF) for minor capital projects that extend the useful life of the facility or improved the facility's quality or functionality.

	2013 $	2012 $
Unspent HIRF grant - beginning of year	338,862	325,171
Grants received during the year	25,141	37,580
Grants spent on approved projects	(197,958)	(23,889)
Unspent HIRF grant - end of year	166,045	338,862

9 Pension plan

Substantially all of the employees of Casey House are members of Healthcare 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 statements of operations and changes in unrestricted net assets and amounted to $245,403 (2012 - $240,530).

10 Community program

Operating results for the community program, which are included in the statement of operations and changes in unrestricted net assets, are as follows:

	2013 $	2012 $
Revenue		
Grants from Casey House Foundation	647,018	803,608
Community Care Access Centre billings	116,529	69,282
	763,547	872,890
Expenditures		
Salaries and benefits	603,505	684,445
Administrative	137,236	163,072
Enhanced services (i)	22,806	25,373
	763,547	872,890
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.

	2013 $	2012 $
Funds received	94,512	94,512
Salaries and benefits	79,115	79,115
Supplies and other expenses	15,397	15,397
Total distribution	94,512	94,512
Funds received in excess of distributions	-	-

12 Post-retirement benefit

Casey House's non-pension post-retirement benefit plans comprise medical, dental and life insurance coverage for certain groups of employees who have retired from Casey House and are between the ages of 55 and 65. The post-retirement benefit obligation is calculated based on the latest actuarial valuation performed on April 1, 2012.

As at March 31, 2013, the accrued sick leave obligation amounted to $26,855 (2012 - $5,539).

The post-retirement benefits at March 31 include the following components:

	2013 $	2012 $
Accrued benefit obligations	138,600	140,500
Unamortized actuarial (gains) losses	11,600	(10,400)
Post-retirement benefit obligations recorded in the statements of financial position	150,200	130,100

The movement in the post-retirement benefit obligation during the year is as follows:

	2013 $	2012 $
Post-retirement benefit obligations - April 1	130,100	109,700
Pension expense for the year		
Current service cost	18,500	19,500
Interest cost	4,700	5,700
	23,200	25,200
Benefits paid	(3,100)	(4,800)
Post-retirement benefit obligations, as at March 31	150,200	130,100

The significant actuarial assumptions adopted in measuring Casey House's accrued post-retirement benefit obligations are as follows:

	2013	2012
Discount rate - beginning of period	3.5%	4.5%
Discount rate - end of period	3.25%	3.5%
Take-up rates	100%	100%
Attribution period	6 years	9 years
Health-care benefit cost trend - decreasing by 0.25% to an ultimate rate of 5.0%	7.75%	8%
Dental benefit cost trend	4%	4%

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 $4,738,042 (2012 - $4,760,991) or 78% (2012 - 78%) of Casey House's total revenue.

14 Financial instruments and risk management

Financial instruments

Casey House's financial instruments consist of cash, investments, due from Casey House Foundation, accounts receivable and other, accounts payable and accrued liabilities and mortgage payable.

Casey House's financial instruments are measured as follows:

Assets/liabilities	**Measurement category**
Cash	fair value
Investments	fair value
Accounts receivable and other	amortized cost
Accounts payable and accrued liabilities	amortized cost
Mortgage payable	amortized cost

Fair value measurement

The following classification system is used to describe the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - market based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Cash and investments consisting of pooled funds were measured as Level 2 financial instruments.

Risk management

Casey House is exposed to a variety of financial risks, including market risk, credit risk and liquidity risk. Casey House's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on Casey House's financial performance. Casey House is exposed to market risk with regards to its pooled fund investments, which are regularly monitored

Market risk

Casey House is exposed to market risk through the fluctuation of financial instrument fair values due to changes in market prices. The significant market risks to which Casey House is exposed are interest rate and price risks.

- Interest rate risk

  The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument fluctuates because of changes in market interest rates. Casey House has a fixed interest rate on its mortgage payable balance, and therefore, changes in market interest rates would not have an impact on Casey House's cash flow and operations.

- Price risk

  Price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the financial instruments will fluctuate because of changes in market prices. Casey House is exposed to price risk through its portfolio investments.

  As at March 31, 2013, Casey House's estimate of the effect on net assets as at March 31, 2013 due to a 5% percent increase or decrease in the market value of investments, with all other variables held constant, would approximately amount to an increase or decrease of $46,000. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

Sensitivity analysis

The sensitivity analysis included in this note should be used with caution as the changes are hypothetical and are not predictive of future performance. The above sensitivities are calculated with reference to year-end balances and will change due to fluctuations in the balances in the future. In addition, for the purpose of the sensitivity analysis, the effect of a variation in a particular assumption on the fair value of the financial instruments was calculated independently of any change in another assumption. Actual changes in one factor may contribute to changes in another factor, which may magnify or counteract the effect on the fair value of the financial instrument.

Credit risk

Casey House is exposed to credit risk in the event of non-payment by patients for non-insured services and services provided to non-resident patients. This risk is common to hospitals as they are required to provide care for patients regardless of their ability to pay for services.

At March 31, 2013, all accounts receivable are current. None of the receivable is past due or impaired.

Liquidity risk

Liquidity risk is the risk Casey House will not be able to meet its financial obligations when they come due. Casey House manages its liquidity risk by forecasting cash flows from operations and anticipating investing and financing activities and maintaining credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements.

The table below is a maturity analysis of Casey House's financial liabilities:

					2013
	Up to 6 months $	**More than 6 months up to 1 year $**	**More than 1 year up to 5 years $**	**More than 5 years $**	**Total $**
Accounts payable and accrued liabilities	592,328	-	-	-	592,328
Mortgage payable	23,637	24,355	637,599	-	685,591
	615,965	24,355	637,599	-	1,277,919