

FINANCIAL STATEMENTS
For
THE ONTARIO HIV TREATMENT NETWORK
For year ended
MARCH 31, 2016

INDEPENDENT AUDITOR'S REPORT

To the directors of the

THE ONTARIO HIV TREATMENT NETWORK

We have audited the accompanying financial statements of The Ontario HIV Treatment Network, which comprise the statement of financial position as at March 31, 2016 and the statement of revenue and expenditures and 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.

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, these financial statements present fairly, in all material respects, the financial position of The Ontario HIV Treatment Network as at March 31, 2016, and the results of its operations and its cash flows for the year ended in accordance with Canadian accounting standards for not-for-profit organizations.

Welch LLP

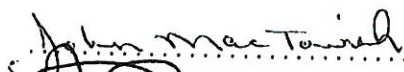

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
June 17, 2016.

THE ONTARIO HIV TREATMENT NETWORK
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 786,072	\$ 402,536
Accounts receivable	850,114	687,107
Prepaid expenses and other assets	<u>149,271</u>	<u>106,315</u>
	<u>1,785,457</u>	<u>1,195,958</u>
TANGIBLE CAPITAL ASSETS (note 3)	<u>379,343</u>	<u>451,034</u>
	<u>\$ 2,164,800</u>	<u>\$ 1,646,992</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (notes 4 and 5)	\$ 1,429,458	\$ 567,272
Deferred contributions (note 6)	<u>355,999</u>	<u>628,686</u>
	<u>1,785,457</u>	<u>1,195,958</u>
DEFERRED CAPITAL CONTRIBUTIONS (note 7)	<u>379,343</u>	<u>451,034</u>
NET ASSETS	<u>-</u>	<u>-</u>
	<u>\$ 2,164,800</u>	<u>\$ 1,646,992</u>

Approved by the Board of Directors:

 Director
 Director

(See accompanying notes)

THE ONTARIO HIV TREATMENT NETWORK
STATEMENT OF REVENUE AND EXPENDITURES AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
Revenue		
Grants from AIDS Bureau (note 4)	\$ 10,212,136	\$ 9,993,366
CIHR funding	1,774,507	1,688,636
Other funds	261,234	148,764
Amortization of deferred capital contributions (note 7)	181,997	167,316
Interest	<u>6,802</u>	<u>19,820</u>
	<u>12,436,676</u>	<u>12,017,902</u>
Expenditures		
Salaries and benefits (note 8)	2,833,453	2,864,715
Building capacity	299,164	587,132
Funding and conducting research	3,966,464	4,099,341
Evidence to action	520,469	508,634
Organization integrity and accountability	993,644	616,177
ASO evaluation and community based research	1,336,734	1,113,318
Non-MOHLTC funded projects	1,975,269	1,735,308
Rent and utilities	329,482	325,961
Amortization of tangible capital assets	<u>181,997</u>	<u>167,316</u>
	<u>12,436,676</u>	<u>12,017,902</u>
Excess of revenue over expenditures for the year and net assets, at the beginning and the end of the year	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes)

THE ONTARIO HIV TREATMENT NETWORK

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
CASH PROVIDED BY (USED FOR)		
OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ -	\$ -
Items not affecting cash:		
Amortization of deferred capital contributions	(181,997)	(167,316)
Amortization of tangible capital assets	181,997	167,316
Changes in non-cash working capital:		
Accounts receivable	(163,007)	(286,324)
Prepaid expenses and other assets	(42,956)	(44,105)
Accounts payable and accrued liabilities	862,186	(314,769)
Deferred contributions	<u>(272,687)</u>	<u>(153,247)</u>
	<u>383,536</u>	<u>(798,445)</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	<u>(110,306)</u>	<u>(124,831)</u>
FINANCING ACTIVITIES		
Deferred capital contributions	<u>110,306</u>	<u>124,831</u>
INCREASE (DECREASE) IN CASH DURING THE YEAR	383,536	(798,445)
CASH, BEGINNING OF YEAR	<u>402,536</u>	<u>1,200,981</u>
CASH, END OF YEAR	\$ <u>786,072</u>	\$ <u>402,536</u>

(See accompanying notes)

THE ONTARIO HIV TREATMENT NETWORK
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

1. ORGANIZATION

The Ontario HIV Treatment Network (OHTN) was incorporated without share capital, effective December 3, 1998, under the Ontario Corporations Act to ensure excellence in care and treatment of people living with HIV. As a not-for-profit organization, OHTN is exempt from income taxes under the Income Tax Act (Canada).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

a) Revenue recognition

OHTN follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.

b) Tangible capital assets

Tangible capital assets consist of furniture and fixtures, computer hardware and software and leasehold improvements. Tangible capital assets are recorded at cost in the year of acquisition and are amortized on a straight-line basis over their estimated useful lives as follows:

Furniture and fixtures	5 years
Computer hardware and software	3 years
Leasehold improvements	over the term of the lease

c) Deferred capital contributions

Deferred capital contributions are grants used for the purchase of tangible capital assets. They are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization of the related assets.

d) Financial instruments

OHTN measures its financial instruments at the financial statement date as follows:

Assets/liabilities	Measurement
Cash	fair value
Accounts receivable	amortized cost
Accounts payable and accrued liabilities	amortized cost

e) Use of estimates

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, which require the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures during the reporting period. Estimates are primarily used in determining the allowance for doubtful accounts, useful lives of tangible capital assets, and certain accruals. Actual results could differ from those estimates.

THE ONTARIO HIV TREATMENT NETWORK
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2016

3. TANGIBLE CAPITAL ASSETS

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Furniture and fixtures	\$ 399,290	\$ 314,678	\$ 397,422	\$ 266,922
Computer hardware and software	411,301	272,943	302,863	195,622
Leasehold improvements	<u>681,527</u>	<u>525,154</u>	<u>681,527</u>	<u>468,234</u>
	1,492,118	\$ 1,112,775	1,381,812	\$ 930,778
Accumulated amortization	<u>(1,112,775)</u>		<u>(930,778)</u>	
	<u>\$ 379,343</u>		<u>\$ 451,034</u>	

4. AIDS BUREAU FUNDING

	<u>2016</u>	<u>2015</u>
Total grants received	\$ 10,532,300	\$ 10,325,609
Less:		
Grants received for tangible capital assets (amount related to tangible capital assets and recorded as deferred capital contributions)	(110,306)	(124,831)
Unspent grants repayable to AIDS Bureau	<u>(209,858)</u>	<u>(207,412)</u>
	<u>\$ 10,212,136</u>	<u>\$ 9,993,366</u>

Per the agreement with the AIDS Bureau, the cumulative unspent grant amount totaling \$374,480 (2015 - \$164,622) is to be refunded and, therefore, has been recorded as a component of accounts payable and accrued liabilities. For the fiscal year ended March 31, 2016, the AIDS Bureau has combined the funding of the various initiatives as a part of its core grant.

5. GOVERNMENT REMITTANCE PAYABLE

Included in accounts payable and accrued liabilities are government remittances payable of \$37,833 (2015 - \$36,453).

6. DEFERRED CONTRIBUTIONS

Deferred contributions represent restricted project funding that relates to expenses to be incurred in subsequent years. Changes in deferred contributions are as follows:

	<u>2016</u>	<u>2015</u>
Deferred contributions, beginning of the year	\$ 628,686	\$ 781,933
Contributions received	1,702,582	1,272,160
Recognized as revenue in the period	<u>(1,975,269)</u>	<u>(1,425,407)</u>
Deferred contributions, end of the year	<u>\$ 355,999</u>	<u>\$ 628,686</u>

THE ONTARIO HIV TREATMENT NETWORK
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2016

7. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent restricted contributions received from the AIDS Bureau used to acquire tangible capital assets. The changes in the deferred capital contributions balance for the year are as follows:

	<u>2016</u>	<u>2015</u>
Balance, beginning of the year	\$ 451,034	\$ 493,519
Add:		
Contributions	110,306	124,831
Less:		
Amortization to revenue	<u>(181,997)</u>	<u>(167,316)</u>
Balance, end of year	<u>\$ 379,343</u>	<u>\$ 451,034</u>

8. PENSION PLAN

Substantially all of the employees of OHTN are members of the Healthcare of Ontario Pension Plan. Contributions to the plan made during the year by OHTN on behalf of its employees are as required by the Healthcare of Ontario Pension Plan. Contributions made to the plan during the year by OHTN of \$294,052 (2015 - \$255,737) are included in the salaries and benefits expense in the statement of revenue and expenditures and changes in net assets.

The plan is a multi-employer defined benefit plan. The most recent actuarial valuation performed at December 31, 2015 indicates that the plan is fully funded.

9. COMMITMENTS

Lease commitments

The lease agreements for the premises provide for aggregate minimum annual rental payments as follows:

2017	\$ 161,273
2018	161,273
2019	<u>40,318</u>
	<u>\$ 362,864</u>

Grants and awards commitment

Grants and awards that have been committed by OHTN are as follows:

2017	\$ 3,047,277
2018	2,369,930
2019	2,097,778
2020	1,102,501
2021	<u>575,000</u>
	<u>\$ 9,192,486</u>

THE ONTARIO HIV TREATMENT NETWORK
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2016

10. ECONOMIC DEPENDENCE

The majority of OHTN's revenue is from the AIDS Bureau. In 2016, approximately 82% (2015 - 83%) of all funding was contributed by the AIDS Bureau.

11. FINANCIAL RISK MANAGEMENT

OHTN is exposed to various risks through its financial instruments. OHTN's financial instruments are subject to the following risks, substantially unchanged from the prior year unless otherwise noted.

OHTN does not use derivative financial instruments to manage its risks.

Credit risk

Credit risk is the risk one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. OHTN's maximum exposure to credit risk represents the sum of the carrying value of its cash and accounts receivable. OHTN's cash is deposited with a Canadian chartered bank and as a result management believes the risk of loss on this item to be remote. Management of OHTN reviews and monitors the collection of the accounts receivable and is of the opinion OHTN is not exposed to any significant credit risk.

Liquidity risk

Liquidity risk is the risk OHTN will encounter difficulty in raising funds to meet its financial commitments. Management ensures sufficient liquidity is maintained by regular monitoring of cash flow requirements.

In managing capital, OHTN focuses on liquid resources available for operations. OHTN's objective is to have sufficient liquid resources to continue operating despite adverse events with financial consequences and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to budget. As at March 31, 2016, OHTN has met its objective of having sufficient liquid resources to meet its current obligations.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

i) Currency risk

OHTN operates primarily in Canadian dollars and is not exposed to significant currency risk.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. OHTN's cash earns interest at prevailing market rates and the interest rate exposure related to these financial instruments is negligible.

iii) Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of the changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market. Since OHTN does not have investments in publicly traded marketable securities, it is not exposed to other price risk.