

REGIONAL HIV/AIDS CONNECTION
Financial Statements
Year Ended March 31, 2020

REGIONAL HIV/AIDS CONNECTION
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Year Ended March 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Members of Regional HIV/AIDS Connection

Qualified Opinion

We have audited the financial statements of Regional HIV/AIDS Connection (the Organization), which comprise the statement of financial position as at March 31, 2020, and the statements of operations and changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

As described in the notes to the financial statements in the summary of significant accounting policies, the organization's amortization policy for the building at 596 Pall Mall Street is based on the amount of mortgage principal repaid during the year, as required by the Ontario Ministry of Health and Long Term Care: Housing. In this respect the financial statements are not in accordance with Canadian accounting standards for not-for-profit organizations.

In common with many not-for-profit organizations, the Organization derives revenue from donations and fundraising and special events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2020, current assets and net assets as at March 31, 2020.

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 the Organization 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

(continues)

James B. MacNeill FCPA, FCA, CFP Jeremy A. Giles CPA, CA Lissa Savage CPA, CA
Mark Snyders CPA, CA Robert F. Edmundson CPA, CA (Retired)

INDEPENDENT AUDITOR'S REPORT *(continued)*

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 the Organization's ability to continue as a going concern, disclosing, as applicable, matters relating 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 the Organization's financial reporting process.

(continues)

James B. MacNeill FCPA, FCA, CFP Jeremy A. Giles CPA, CA Lissa Savage CPA, CA
Mark Snyders CPA, CA Robert F. Edmundson CPA, CA (Retired)

INDEPENDENT AUDITOR'S REPORT *(continued)*

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 the Organization'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 the Organization'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 the Organization 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.

London, Ontario
June 24, 2020

MacNeill Edmundson
PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANTS
Authorized to practise public accounting by
the Chartered Professional Accountants of Ontario


James B. MacNeill FCPA, FCA, CFP Jeremy A. Giles CPA, CA Lissa Savage CPA, CA
Mark Snyders CPA, CA Robert F. Edmundson CPA, CA (Retired)

Regional HIV/AIDS Connection
Statement of Financial Position
March 31, 2020

| | March 31 2020 | | | | March 31 2019 |
|---|---------------------|---------------------|-------------------|---------------------|---------------------|
| | Operating Funds | Restricted Funds | Endowment Fund | Total | Total |
| Assets | | | | | |
| Current | | | | | |
| Cash | \$ 484,179 | \$ - | \$ - | \$ 484,179 | \$ 831,013 |
| Investments (note 4) | 379,627 | - | - | 379,627 | 375,800 |
| Grants and other amounts receivable | 388,701 | - | - | 388,701 | 394,813 |
| HST rebate recoverable | 256,600 | - | - | 256,600 | 115,942 |
| Inventory of supplies | 58,011 | - | - | 58,011 | 58,011 |
| Due from other funds | - | 279,297 | 20,079 | - | - |
| Prepaid expenses | 12,989 | - | - | 12,989 | 28,694 |
| | 1,580,107 | 279,297 | 20,079 | 1,580,107 | 1,804,273 |
| Capital assets (note 5) | 1,047,325 | - | - | 1,047,325 | 1,127,810 |
| Amounts administered for other parties (note 6) | - | - | - | - | 62,362 |
| | \$ 2,627,432 | \$ 279,297 | \$ 20,079 | \$ 2,627,432 | \$ 2,994,445 |
| Liabilities | | | | | |
| Current | | | | | |
| Accounts payable and accrued liabilities | \$ 869,429 | \$ - | \$ - | \$ 869,429 | \$ 1,074,682 |
| Due to other funds | 299,376 | - | - | - | - |
| Deferred contributions (note 7) | 110,453 | - | - | 110,453 | 156,206 |
| Current portion of long term debt (note 8) | 37,536 | - | - | 37,536 | 36,337 |
| | 1,316,794 | - | - | 1,017,418 | 1,267,225 |
| Long term debt (note 8) | 514,995 | - | - | 514,995 | 552,531 |
| Deferred capital contributions (note 9) | 197,272 | - | - | 197,272 | 219,609 |
| Amounts administered for other parties (note 6) | - | - | - | - | 62,362 |
| | 2,029,061 | - | - | 1,729,685 | 2,101,727 |
| Fund balances | 598,371 | 279,297 | 20,079 | 897,747 | 892,718 |
| | \$ 2,627,432 | \$ 279,297 | \$ 20,079 | \$ 2,627,432 | \$ 2,994,445 |

Lease commitment (note 11)

ON BEHALF OF THE BOARD:


 Director


 Director

Regional HIV/AIDS Connection
Statement of Operations and Fund Balances
For the Year Ended March 31, 2020

| | <i>March 31,</i> <i>2020</i> | | | <i>March 31</i> <i>2019</i> | |
|---|------------------------------------|-------------------------------------|-------------------|--------------------------------|-------------------|
| | Operating Funds (Schedule 1) | Restricted Funds (Schedule 2) | Endowment Fund | Total | Total |
| Revenues | | | | | |
| Government funding (note 10) | 4,273,623 | \$ 3,417 | \$ - | \$ 4,277,040 | \$ 3,361,211 |
| Donations | 582,642 | - | - | 582,642 | 601,534 |
| Occupancy charges (note 12) | 164,625 | - | - | 164,625 | 159,840 |
| Interest and other | 120,510 | - | - | 120,510 | 49,170 |
| Administrative and other recoveries | 76,826 | - | - | 76,826 | 61,509 |
| Fundraising and special events | 69,699 | - | - | 69,699 | 72,947 |
| Amortization of deferred capital contributions (note 9) | 22,337 | - | - | 22,337 | 35,663 |
| | 5,310,262 | 3,417 | - | 5,313,679 | 4,341,874 |
| Expenses | | | | | |
| Salaries and benefits | 2,718,023 | - | - | 2,718,023 | 2,263,522 |
| Program costs and resource materials | 597,503 | - | - | 597,503 | 568,544 |
| Rent, security and maintenance costs | 469,796 | - | - | 469,796 | 255,380 |
| Donated materials | 459,460 | - | - | 459,460 | 420,285 |
| Subcontract | 300,138 | - | - | 300,138 | 256,195 |
| Administration | 161,535 | - | - | 161,535 | 54,355 |
| Office | 144,732 | - | - | 144,732 | 40,203 |
| Amortization | 80,484 | - | - | 80,484 | 91,744 |
| Repairs and maintenance | 79,360 | - | - | 79,360 | 86,754 |
| Computer maintenance and support | 85,549 | - | - | 85,549 | 116,430 |
| Professional fees | 55,094 | - | - | 55,094 | 24,200 |
| Travel | 34,195 | - | - | 34,195 | 29,098 |
| Conference and staff development | 24,302 | - | - | 24,302 | 35,437 |
| Telephone | 21,624 | - | - | 21,624 | 23,857 |
| Advertising and promotion | 17,987 | - | - | 17,987 | 16,086 |
| Interest on long term debt | 17,919 | - | - | 17,919 | 14,746 |
| Property taxes | 12,268 | - | - | 12,268 | 12,644 |
| Insurance | 10,452 | - | - | 10,452 | 10,715 |
| Volunteer development and appreciation | 10,123 | - | - | 10,123 | 8,183 |
| Bank charges and interest | 2,953 | - | - | 2,953 | 2,498 |
| Special events | 2,338 | - | - | 2,338 | 771 |
| OAN costs | 2,000 | - | - | 2,000 | 4,000 |
| Membership fees | 815 | - | - | 815 | 1,090 |
| | 5,308,650 | - | - | 5,308,650 | 4,336,737 |
| Excess of revenues over expenses for the year | 1,612 | 3,417 | - | 5,029 | 5,137 |
| Fund balances, beginning of year | 608,759 | 263,880 | 20,079 | 892,718 | 887,581 |
| Interfund transfers (note 13) | (12,000) | 12,000 | - | - | - |
| Fund balances, end of year | \$ 598,371 | \$ 279,297 | \$ 20,079 | \$ 897,747 | \$ 892,718 |

REGIONAL HIV/AIDS CONNECTION
Statement of Cash Flows
Year Ended March 31, 2020

| | 2020 | 2019 |
|--|-------------------|-------------------|
| OPERATING ACTIVITIES | | |
| Excess of revenues over expenses for the year | \$ 5,026 | \$ 5,137 |
| Items not affecting cash: | | |
| Amortization of capital assets | 80,484 | 91,744 |
| Amortization of deferred capital contributions | (22,337) | (35,663) |
| | 63,173 | 61,218 |
| Changes in non-cash working capital: | | |
| Grants and other amounts receivable | 6,112 | (259,099) |
| HST rebate recoverable | (140,658) | (41,923) |
| Prepaid expenses | 15,705 | 1,837 |
| Accounts payable and accrued liabilities | (205,249) | 572,685 |
| Deferred contributions | (45,753) | 7,353 |
| | (369,843) | 280,853 |
| Cash flow from (used by) operating activities | (306,670) | 342,071 |
| INVESTING ACTIVITIES | | |
| Purchase of guaranteed investment certificates | (3,827) | - |
| Proceeds on maturity of guaranteed investment certificates | - | 25,655 |
| Purchase of capital assets | - | (79,249) |
| Cash flow used by investing activities | (3,827) | (53,594) |
| FINANCING ACTIVITIES | | |
| Repayment of long term debt | (36,337) | (37,263) |
| Deferred capital contributions received | - | 44,538 |
| Cash flow from (used by) financing activities | (36,337) | 7,275 |
| INCREASE (DECREASE) IN CASH | (346,834) | 295,752 |
| Cash - beginning of year | 831,013 | 535,261 |
| CASH - END OF YEAR | \$ 484,179 | \$ 831,013 |

REGIONAL HIV/AIDS CONNECTION

Notes to Financial Statements

Year Ended March 31, 2020

1. NATURE OF OPERATIONS

The organization provides prevention, education, support and outreach services to those living with, affected by, and/or at risk for Human Immunodeficiency Virus ("HIV") and/or Acquired Immuno-Deficiency Syndrome ("AIDS"). In addition, they provide transitional care, palliative and respite care to those living with and affected by HIV, AIDS and Hepatitis C.

The organization is an amalgamation of Regional HIV/AIDS Connection (RHAC) and London Regional AIDS Hospice ("LRAH") (o/a John Gordon Home (JGH)) which became effective April 1, 2015. The combined organization continues to operate as Regional HIV/AIDS Connection.

RHAC was originally incorporated without share capital in the Province of Ontario in February 1990. LRAH was originally incorporated without share capital in the province of Ontario in December 1991.

The Regional HIV/AIDS Connection is a charitable organization registered under the Canadian Income Tax Act (the "Act") and as such is exempt from income taxes and is allowed to issue donation receipts for income tax purposes. In order to maintain its status as a charitable organization registered under the Act, the organization must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

2. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). ASNPO are part of Canadian generally accepted accounting principles (GAAP).

REGIONAL HIV/AIDS CONNECTION

Notes to Financial Statements

Year Ended March 31, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund accounting

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Regional HIV/AIDS Connection, the accounts are maintained in accordance with the principles of fund accounting. Accordingly, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund. Transfers between funds are made when it is considered appropriate and authorized by the Board of Directors.

The operations are organized into seven funds as detailed below:

Community Action Fund (CAF) - fund sponsored by the Public Health Agency of Canada to provide funds for safer sex education.

Ontario Organizational Development Program Fund (OODP) - fund sponsored by Health Canada and the Ontario Ministry of Health (OMOH). This program operates independently with funds being administered through the organization. OODP facilitates strategic planning and organizational development workshops and services to AIDS Service Organizations throughout Ontario.

Counterpoint Fund - fund sponsored by the Ontario Ministry of Health through the Middlesex-London Health Unit (MLHU) along with in-kind contributions of materials from the Ontario Harm Reduction Distribution Program (OHRDP) for operating the Counterpoint Needle Exchange Program and other related programs for London and surrounding area.

Ontario Ministry of Health Fund (OMOH) - fund sponsored by OMOH to provide core funding for programs, and operations such as salaries, rent and office supplies.

John Gordon Home Fund - fund sponsored by OMOH, the Southwest Local Health Integration Network (SWLHIN) and the City of London to operate a nine unit community centred hospice for those living with and affected by HIV, AIDS, and Hepatitis C.

Consumption Treatment Services Fund (CTS) - fund sponsored by OMOH to provide annually funded services (Carepoint) for people to use their drugs safely and seek other supports i.e. treatment, mental health, housing etc. CTS also receives funds for on-site wrap around supports through the SWLHIN's Mental Health and Addiction investment.

General Fund - derives its revenue from fundraising, donations and other short term programs to assist with funding operations. The General Fund reports unrestricted resources available for immediate purposes.

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REGIONAL HIV/AIDS CONNECTION
Notes to Financial Statements
Year Ended March 31, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Restricted funds are detailed below:

Contingency Working Capital Fund - internally restricted fund established by the Board of Directors to be used for emergency operating expenses in the event that program funding for the organization was interrupted. These amounts are not available for other purposes without the approval of the Board of Directors.

Capital Replacement Reserve Fund - externally restricted fund as required by OMOH to maintain a reserve fund for replacement of capital items and unanticipated future costs related to the John Gordon Home.

JGH Replacement Fund - internally restricted fund established by the Board of Directors to support the regular replacement of property, equipment, and furnishings of the John Gordon Home, and to fund or partially fund renovation projects.

Endowment Fund:

The Endowment Fund reports funds received where the donor has stipulated that such funds must be held as an endowment in perpetuity. Interest may be spent annually at the discretion of the organization.

Revenue recognition

The organization follows the restricted fund method of accounting for contributions.

Restricted contributions related to general operations are recognized as revenue in the appropriate Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

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

Resident occupancy charges to tenants and the City of London are recognized as revenue in the month they are earned.

Contributions received for the purchase of capital assets are recorded as deferred capital contributions and amortized into revenue on the same terms as the related capital asset.

Endowment contributions are recognized as revenue in the Endowment Fund.

Investment income is recognized as earned. Investment income on restricted funds and endowment funds is recognized in the appropriate fund, depending on the nature of the restriction.

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REGIONAL HIV/AIDS CONNECTION

Notes to Financial Statements

Year Ended March 31, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contributed materials, capital assets and services

Contributed materials are recorded as revenues and expenses at their fair market value determined as at the date of the donation. Donated assets of a capital nature are recorded as assets and deferred contributions at their fair market value and amortized to revenues and expenses in accordance with amortization policies of the organization.

Volunteers contribute many hours per year to enable the organization to carry out its objectives. Because of the difficulty of determining their fair value, contributed services of volunteers are not recognized in these financial statements.

Inventory of supplies

Inventory of supplies is measured at the lower of cost, determined using the first-in, first-out method, and net realizable value which is determined to be replacement cost.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets are stated at cost less accumulated amortization. Capital assets (except for the building located at 596 Pall Mall Street) are amortized over their estimated useful lives using the straight-line method at the following rates:

| | | |
|--------------------------------|---------|--------------------------|
| Building upgrades | 4% | declining balance method |
| Furniture and office equipment | 20% | declining balance method |
| Leasehold improvements | 5 years | straight-line method |
| Computer equipment | 55% | declining balance method |
| Computer software | 100% | declining balance method |

The building located at 596 Pall Mall Street is amortized annually by an amount equal to the mortgage principal repaid during the year.

A half year of amortization is taken in the year of acquisition and none in the year of disposal. Upon disposition of a capital asset, the cost and related accumulated amortization thereon are removed from the records of the organization and the resulting gain or loss is recorded in operations.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

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REGIONAL HIV/AIDS CONNECTION

Notes to Financial Statements

Year Ended March 31, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian ASNPO requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in operations in the period in which they become known. Actual results could differ from these estimates.

4. INVESTMENTS - GENERAL FUND

Investments consist of various cashable GIC's with interest rate of 1.5% and maturity dates ranging from June 2020 to December 2020.

5. CAPITAL ASSETS

| | Cost | Accumulated amortization | 2020 Net book value | 2019 Net book value |
|---------------------------------|---------------------|-----------------------------|---------------------------|---------------------------|
| Land | \$ 105,893 | \$ - | \$ 105,893 | \$ 105,893 |
| Building - 596 Pall Mall Street | 1,089,336 | 536,806 | 552,530 | 588,868 |
| Building upgrades | 635,863 | 303,041 | 332,822 | 346,689 |
| Furniture and office equipment | 349,514 | 310,158 | 39,356 | 49,196 |
| Leasehold improvements | 238,885 | 238,885 | - | - |
| Computer equipment | 211,848 | 195,124 | 16,724 | 37,164 |
| Computer software | 30,316 | 30,316 | - | - |
| | <u>\$ 2,661,655</u> | <u>\$ 1,614,330</u> | <u>\$ 1,047,325</u> | <u>\$ 1,127,810</u> |

REGIONAL HIV/AIDS CONNECTION
Notes to Financial Statements
Year Ended March 31, 2020

6. AMOUNTS ADMINISTERED FOR OTHER PARTIES

The organization administers certain funds received from government grants and other sources on behalf of other parties external to the organization. The funds are held in trust and disbursed in accordance with the terms and conditions of each funder.

The following table summarizes the activity in such funds during the year:

| | 2020 | 2019 |
|--|----------|-----------|
| Cash receipts | \$ - | \$ 30,000 |
| Funds transferred to other party | (62,362) | (250,000) |
| Cash expenditures | - | (39,875) |
| Change during the year | (62,362) | (259,875) |
| Balance administered for other parties - beginning of the year | 62,362 | 322,237 |
| Balance administered for other parties - end of the year | \$ - | \$ 62,362 |

7. DEFERRED CONTRIBUTIONS

The organization receives various grants which contain terms and conditions under which these funds may be used. Some of these grants extend beyond the fiscal year end. As a result, the following amounts have been deferred to match the expenses of future periods.

| | 2020 | 2019 |
|--|------------|------------|
| Deferred contributions - expenses of future periods | | |
| General fund | \$ 33,818 | \$ 36,826 |
| OODP fund | - | 3,808 |
| Counterpoint fund - externally restricted | 76,635 | 115,572 |
| | \$ 110,453 | \$ 156,206 |

REGIONAL HIV/AIDS CONNECTION

Notes to Financial Statements

Year Ended March 31, 2020

| 8. LONG TERM DEBT | 2020 | 2019 |
|--|-------------------|-------------------|
| Mortgage on 596 Pall Mall Street, repayable in monthly blended payments of principal and interest of \$4,521, bearing interest at 3.122% per annum. Due March 1, 2029. Secured by land and building. | \$ 552,531 | \$ 588,868 |
| Amounts payable within one year | (37,536) | (36,337) |
| | \$ 514,995 | \$ 552,531 |

Principal repayment terms are approximately:

| | |
|------------|-------------------|
| 2021 | \$ 37,536 |
| 2022 | 38,724 |
| 2023 | 39,951 |
| 2024 | 41,182 |
| 2025 | 42,520 |
| Thereafter | 352,618 |
| | <u>\$ 552,531</u> |

9. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent funds received for the purpose of funding capital purchases. Such contributions are deferred and amortized into revenue over time in order to match the amortization of the related capital item. Changes in the deferred capital contributions balance are as follows:

| | 2020 | 2019 |
|--|-------------------|-------------------|
| Balance, beginning of year | \$ 219,609 | \$ 210,734 |
| Contributions received during the year (Note 10) | - | 44,538 |
| Amount amortized to revenue in the year | (22,337) | (35,663) |
| | \$ 197,272 | \$ 219,609 |

REGIONAL HIV/AIDS CONNECTION

Notes to Financial Statements

Year Ended March 31, 2020

10. GOVERNMENT FUNDING

The organization receives funding from various government agencies to support the programs within the organization. Certain funders require that the organization spend the funding on specific program areas and on specific materials. Some of the funding received from these agencies related to items of a capital nature and therefore have been deferred to match the treatment of the expenditure of the funds. The funding received appears in the financial statements as follows:

| | 2020 | 2019 |
|---|--------------|--------------|
| CAF Fund | | |
| HIV and Hepatitis C Community Action Fund | \$ 290,923 | \$ 293,765 |
| PHAC Alliance (MLHU and LIHC) | 60,471 | 59,419 |
| Subtotal | 351,394 | 353,184 |
| Less: Unspent amounts repayable to funder | (24,028) | (19,782) |
| Total revenue recognized in the year | \$ 327,366 | \$ 333,402 |
| ODDP Fund | | |
| Ontario Ministry of Health funding | \$ 305,976 | \$ 305,976 |
| Counterpoint Fund | | |
| Middlesex London Health Unit - funding received | \$ 586,114 | \$ 586,114 |
| Middlesex London Health Unit - additional | - | 132,308 |
| Funding utilized from (deferred to) a future year | 25,995 | (96,529) |
| Total revenue recognized in the year | \$ 612,109 | \$ 621,893 |
| OMOH Fund | | |
| Community-based AIDS Education and Support | \$ 931,764 | \$ 931,764 |
| HIV/IDU Outreach Project | 306,131 | 306,131 |
| Subtotal | 1,237,895 | 1,237,895 |
| Less: Unspent amounts repayable to OMOH | (114,418) | (35,021) |
| Total revenue recognized in the year | \$ 1,123,477 | \$ 1,202,874 |

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REGIONAL HIV/AIDS CONNECTION

Notes to Financial Statements

Year Ended March 31, 2020

| 10. GOVERNMENT FUNDING <i>(continued)</i> | 2020 | 2019 |
|---|---------------------|-------------------|
| John Gordon Home Fund | | |
| South West Local Health Integration Network (LHIN) | \$ 444,932 | \$ 444,932 |
| Ontario Ministry of Health: Housing | 128,091 | 125,234 |
| South West LHIN one time funding | - | 1,062 |
| Deferred capital contributions (note 9) | - | (12,516) |
| Total revenue recognized in the year | \$ 573,023 | \$ 558,712 |
| Consumption Treatment Services Fund | | |
| Ontario Ministry of Health | \$ 1,442,200 | \$ 510,000 |
| South West LHIN | 216,700 | 116,400 |
| Deferred capital contributions (note 9) | - | (32,022) |
| Less: mid-year funding adjustment for unspent amounts | (380,662) | - |
| Subtotal | 1,278,238 | 594,378 |
| Less: Unspent amounts repayable to OMOH | - | (232,433) |
| Less: Unspent amounts repayable to South West LHIN | - | (81,443) |
| | \$ 1,278,238 | \$ 280,502 |
| General Fund | | |
| London Intercommunity Health Centre | \$ 53,434 | \$ 54,435 |
| Capital Replacement Reserve Fund | | |
| Annual contribution | \$ 3,417 | \$ 3,417 |

11. LEASE COMMITMENT

The organization entered into a 12 month lease amending agreement at 186 King Street expiring March 31, 2021 for \$9,600 per month plus HST.

Additionally, in relation to the CTS program, the lease agreement charges additional rent of \$5,000 per month plus HST along with requiring security costs of approximately \$8,000 per month. If the CTS program is relocated or funding is withdrawn prior to the lease termination date, the organization does not have to pay the CTS related charges.

REGIONAL HIV/AIDS CONNECTION

Notes to Financial Statements

Year Ended March 31, 2020

12. CITY OF LONDON

The organization receives funding from the City of London for the operations of the John Gordon Home. For fiscal 2020, the City changed its funding formula to a flat annual amount, rather than a per diem basis.

| | 2020 | 2019 |
|---|------------|------------|
| Gross receipts from the City of London | \$ 115,000 | \$ 113,000 |
| Resident occupancy charges | 64,120 | 60,661 |
| Total Personal Needs Allowance disbursed to residents | (14,495) | (13,821) |
| Occupancy charges | \$ 164,625 | \$ 159,840 |

13. INTERFUND TRANSFERS

During the year, the Board of Directors approved the transfer of \$12,000 (2019 - \$12,000) from the General Fund to the Contingency Working Capital Fund. During the prior year, \$34,711 was transferred from the John Gordon Home Replacement Fund to the General Fund as those funds were expended on capital items.

14. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments. The following analysis provides information about the organization's risk exposure and concentration. There have been no significant changes in the nature or concentration of the risk exposures from the prior year, unless otherwise noted.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization is exposed to credit risk from its residents. In order to reduce its credit risk, the organization has adopted credit policies that include the regular review of outstanding accounts receivable.

An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The organization is not exposed to credit risk on the funding from various government agencies and affiliates.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization manages its liquidity risk by forecasting its cash needs on a regular basis and seeking additional information based on those forecasts. The organization has a line of credit available to assist with cash requirements over the short term.

(continues)

REGIONAL HIV/AIDS CONNECTION

Notes to Financial Statements

Year Ended March 31, 2020

14. FINANCIAL INSTRUMENTS *(continued)*

Market risk

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

Currency risk

Currency risk is the risk to the organization's operations that arise from fluctuations of foreign exchange rates. The organization is not exposed to significant currency risk as it does not hold financial instruments denominated in a foreign currency.

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. The organization's interest bearing assets and liabilities include its line of credit, investments and long term debt. The organization is exposed to interest rate risk primarily through its floating interest rate line of credit at those times when the line of credit is utilized. The organization will be exposed to interest rate risk upon the maturity of the guaranteed investment certificates if market rates vary from the rates currently being offered on these investments. The long term debt bears interest at a fixed rate and, as such, the organization is exposed to the risk associated with having a fixed rate, but has the security of a fixed rate for operational management purposes.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. In management's opinion, the organization is not exposed to significant other price risk.

REGIONAL HIV/AIDS CONNECTION

Notes to Financial Statements

Year Ended March 31, 2020

15. SUBSEQUENT EVENT: COVID-19

The recent outbreak of Coronavirus Disease 2019, or COVID-19, has spread across the globe and is impacting worldwide economic activity. This global pandemic poses the risk that the organization or its clients, employees, contractors, suppliers, and other partners may be unable to conduct regular business activities for an indefinite period of time. While it is not possible at this time to estimate the impact that COVID-19 could have on the organization's business, the continued spread of COVID-19 and the measures taken by the federal, provincial, and municipal governments to contain its impact could adversely impact the organization's business, financial condition or results of operations.

Specifically, the organization has so far experienced a reduction in fundraising revenues due to the cancellation of certain fundraising events. To offset these expected revenue decreases, the organization has reviewed its expenses, and deferred or reduced those expenses where possible. The organization also plans to apply for the government programs and subsidies for which it qualifies.

The extent to which the COVID-19 outbreak impacts the organization's future financial results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the spread of the virus and government actions.

**Regional HIV/AIDS Connection
Schedule of Operating Funds
For the Year Ended March 31, 2020**

| | March 31 2020 | | | | | | March 31 2019 | |
|---|------------------|--------------|----------------------|--------------|--------------------------|--------------|------------------|--------------|
| | CAF Fund | ODDP Fund | Counterpoint Fund | OMOH Fund | John Gordon Home Fund | CTS Fund | General Fund | Total |
| Revenues | | | | | | | | |
| Government funding (note 10) | \$ 327,366 | \$ 305,976 | \$ 612,109 | \$ 1,123,477 | \$ 573,023 | \$ 1,278,238 | \$ 53,434 | \$ 4,273,623 |
| Donations | | | 459,479 | | 1,946 | | 121,217 | 582,642 |
| Occupancy charges (note 12) | | | | | 164,625 | | | 164,625 |
| Interest and other | | 62,983 | | | 26,578 | 2,942 | 28,007 | 120,510 |
| Administrative and other recoveries | | | | | | | 76,826 | 76,826 |
| Fundraising and special events | | | | | 5,645 | | 64,054 | 69,699 |
| Amortization of deferred capital contributions (note 9) | 796 | | | 844 | 14,932 | 5,764 | 1 | 22,337 |
| | 328,162 | 368,959 | 1,071,588 | 1,124,321 | 786,749 | 1,286,944 | 343,539 | 5,310,262 |
| Expenses | | | | | | | | |
| Salaries and benefits | 237,499 | 99,780 | 152,009 | 855,663 | 499,400 | 722,304 | 151,368 | 2,718,023 |
| Program costs and resource materials | 671 | 258 | 397,848 | 52,038 | 3,894 | 80,021 | 62,773 | 597,503 |
| Rent, security and maintenance costs | 8,424 | | 8,667 | 124,029 | | 306,436 | 22,240 | 469,796 |
| Donated materials | | | 459,460 | | | | | 459,460 |
| Subcontract | 70,112 | 218,022 | | | 6,000 | | 6,004 | 300,138 |
| Administration | | 23,555 | 10,000 | | 11,500 | 107,055 | 9,425 | 161,535 |
| Office | 2,375 | 708 | 4,117 | 23,657 | 64,558 | 43,253 | 6,064 | 144,732 |
| Amortization | 796 | | | 844 | 73,080 | 5,764 | | 80,484 |
| Repairs and maintenance | 1,712 | 18,294 | | | 79,360 | | | 79,360 |
| Computer maintenance and support | | | 23,656 | 20,695 | 957 | 19,049 | 1,186 | 85,549 |
| Professional fees | | | 14,781 | 8,020 | 11,719 | | 20,574 | 55,094 |
| Travel | 2,162 | 10,520 | 450 | 5,561 | 6,179 | 12 | 9,311 | 34,195 |
| Conference and staff development | 1,600 | 122 | | 15,075 | 5,970 | 1,250 | 285 | 24,302 |
| Telephone | 2,811 | 233 | 600 | 3,786 | 5,342 | 1,800 | 7,052 | 21,624 |
| Advertising and promotion | | | | 4,789 | 757 | | 12,441 | 17,987 |
| Interest on long term debt | | | | | 17,919 | | | 17,919 |
| Property taxes | | | | | 12,268 | | | 12,268 |
| Insurance | | 1,521 | | | 6,561 | | 2,370 | 10,452 |
| Volunteer development and appreciation | | | | 8,000 | 1,504 | | 619 | 10,123 |
| Bank charges and interest | | | | | | | 2,953 | 2,953 |
| Special events | | | | | | | 2,338 | 2,338 |
| OAN costs | | | | 2,000 | | | | 2,000 |
| Membership fees | | | | 164 | 651 | | | 815 |
| | 328,162 | 373,013 | 1,071,588 | 1,124,321 | 807,619 | 1,286,944 | 317,003 | 5,308,650 |
| Excess (deficiency) of revenues over expenses for the year | - | (4,054) | - | - | (20,870) | - | 26,536 | 1,612 |
| Fund balances, beginning of year | - | 37,657 | - | - | 301,396 | - | 269,706 | 608,759 |
| Interfund transfers (note 13) | - | - | - | - | - | - | (12,000) | (12,000) |
| Fund balances, end of year | \$ - | \$ 33,603 | \$ - | \$ - | \$ 280,526 | \$ - | \$ 284,242 | \$ 598,371 |
| | | | | | | | | \$ 608,759 |

See accompanying notes to the financial statements.

Regional HIV/AIDS Connection
Schedule of Restricted Funds
For the Year Ended March 31, 2020

| | March 31 | | | March 31 | | |
|--|----------------------------------|----------------------------------|----------------------|------------|------------|------------|
| | 2020 | | | 2019 | | |
| | Contingency Working Capital Fund | Capital Replacement Reserve Fund | JGH Replacement Fund | Total | Total | Total |
| Revenues | | | | | | |
| Government funding (note 10) | \$ - | \$ 3,417 | \$ - | \$ 3,417 | \$ - | \$ 3,417 |
| Interest and other | - | - | - | - | - | - |
| Expenses | | | | | | |
| Bank charges and interest | - | 3,417 | - | 3,417 | - | 3,417 |
| Excess of revenues over expenses for the year | | | | | | |
| | - | 3,417 | - | 3,417 | - | 3,417 |
| Fund balances, beginning of year | 130,382 | 133,498 | - | 263,880 | 283,174 | 283,174 |
| Interfund transfers (note 13) | 12,000 | - | - | 12,000 | (22,711) | (22,711) |
| Fund balances, end of year | \$ 142,382 | \$ 136,915 | \$ - | \$ 279,297 | \$ 263,880 | \$ 263,880 |

Regional HIV/AIDS Connection
Schedule of OMOH/ SWLHIN Programs
March 31, 2020

| | OODP | HIV/IDU Outreach | Community Based Education | JGH Housing | JGH South West LHIN | CTS Wrap Around South West LHIN | CTS | Total |
|---|------------|------------------|---------------------------|-------------|---------------------|---------------------------------|--------------|--------------|
| Revenues | | | | | | | | |
| Total funding received (note 10) | \$ 305,976 | \$ 306,131 | \$ 931,764 | \$ 128,091 | \$ 444,932 | \$ 216,700 | \$ 1,442,200 | \$ 3,775,794 |
| Less: amounts spent on capital items | | | | | | | | - |
| Less: amounts repaid to OMOH | | (71,170) | (43,248) | | | | (380,662) | (380,662) |
| Less: unspent amounts repayable to OMOH | | 234,961 | 888,516 | 128,091 | 444,932 | 216,700 | 1,064,480 | 3,283,656 |
| Expenses | | | | | | | | |
| Salaries and benefits | 99,781 | 155,316 | 700,347 | 24,274 | 444,932 | 158,461 | 563,843 | 2,146,954 |
| Rent, security and maintenance costs | | 37,782 | 86,247 | | | 23,835 | 282,601 | 430,465 |
| Subcontract | 150,984 | | | | | | | 150,984 |
| Administration | 23,555 | | | | | | | 107,055 |
| Program costs and resource materials | 258 | 30,691 | 21,347 | | | 8,377 | | 130,610 |
| Office | 708 | 2,843 | 20,814 | | | 3,916 | | 132,317 |
| Computer maintenance and support | 18,294 | 3,900 | 16,795 | | | 19,049 | | 67,618 |
| Amortization | | | | 36,337 | | | | 58,038 |
| Repairs and maintenance | | | | 28,500 | | | | 36,337 |
| Interest on long term debt | | | | 17,919 | | | | 28,500 |
| Travel | 10,520 | 94 | 5,467 | | | 12 | | 17,919 |
| Conference and staff development | 122 | 1,900 | 13,175 | | | 1,250 | | 16,093 |
| Property Taxes | | | | 14,500 | | | | 16,447 |
| Insurance | 1,521 | | | 6,561 | | | | 14,500 |
| Professional fees | | | 8,020 | | | | | 8,082 |
| Volunteer development and appreciation | | | 8,000 | | | | | 8,020 |
| Telephone | | | 1,351 | | | 1,800 | | 8,000 |
| Advertising and promotion | 233 | 2,435 | 4,789 | | | | | 5,819 |
| OAN costs | | | 2,000 | | | | | 4,789 |
| Membership fees | | | 164 | | | | | 2,000 |
| | | | | | | | | 164 |
| | \$ 305,976 | \$ 234,961 | \$ 888,516 | \$ 128,091 | \$ 444,932 | \$ 216,700 | \$ 1,064,480 | \$ 3,283,656 |
| | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |