Financial Statements of

THE KENSINGTON HEALTH CENTRE

December 31, 2017

TINKHAM LLP | CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Members of
THE KENSINGTON HEALTH CENTRE

We have audited the accompanying financial statements of The Kensington Health Centre, which comprise the balance sheet as at December 31, 2017, and the statement of operations 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of 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 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 controls 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 Kensington Health Centre as at December 31, 2017, 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.

TORONTO, Ontario
June 26, 2018

Licensed Public Accountants

THE KENSINGTON HEALTH CENTRE
Balance Sheet

As at December 31,	**2017**	2016
Assets		
Current		
Cash	**$ 5,268,512**	$ 1,766,690
Resident deposits and trusts	**26,627**	21,578
Accounts receivable (note 3)	**119,831**	199,261
Public service body rebate receivable	**364,714**	327,432
Prepaid expenses and inventory	**521,417**	317,096
Due from related organizations (note 4)	**710,979**	513,436
	7,012,080	3,145,493
Capital assets (note 5)	**39,459,729**	40,792,468
Intangible assets (note 11)	**-**	2,295,000
	$ 46,471,809	$ 46,232,961
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (note 6)	**$ 3,527,529**	$ 3,081,599
Resident deposits and trusts	**26,627**	21,578
Deferred revenue	**5,728**	93,228
Due to related organizations (note 4)	**655,297**	142,621
Promissory note payable (note 7)	**3,500,000**	-
Current portion of obligations under capital lease	**22,805**	-
Current portion of secured long term debt payable (note 8)	**2,494,597**	2,356,187
	10,232,583	5,695,213
Promissory note payable (note 7)	**-**	3,500,000
Obligations under capital lease	**77,286**	-
Secured long term debt (note 8)	**12,959,915**	15,454,512
Deferred capital contributions (note 9)	**12,782,612**	10,546,820
	36,052,396	35,196,545
Net Assets		
Unrestricted	**9,619,413**	10,236,416
Internally restricted (note 2(f))	**800,000**	800,000
	10,419,413	11,036,416
	$ 46,471,809	$ 46,232,961

Contingencies, commitments and subsequent event (notes 13, 14 and 15, respectively)

See accompanying notes to financial statements.

On behalf of the Board:

______________________Director

______________________Director

THE KENSINGTON HEALTH CENTRE

Statement of Operations

Year ended December 31,	**2017**	2016
Revenue		
Kensington Gardens (note 10(a))	**$ 27,877,889**	$ 26,155,501
The Eye Bank of Canada (Ontario Division) (note 10(b))	**2,370,421**	2,579,429
Kensington Hospice (note 10(c))	**1,802,691**	1,709,386
Kensington Diagnostic Imaging Centre (note 10(d))	**1,160,120**	33,631
	33,211,121	30,477,947
Expense		
Kensington Gardens (note 10(a))	**24,717,804**	24,373,666
The Eye Bank of Canada (Ontario Division) (note 10(b))	**2,334,591**	2,531,077
Kensington Hospice (note 10(c))	**1,802,691**	1,709,386
Kensington Diagnostic Imaging Centre (note 10(d))	**1,732,278**	305,370
	30,587,364	28,919,499
Excess of revenue over expense for the year before undernoted items	**2,623,757**	1,558,448
Add: Amortization of deferred capital contributions (note 9)	**703,882**	733,636
Less: Amortization of capital assets	**(1,649,642)**	(1,505,650)
Less: Impairment loss on intangible asset (note 11)	**(2,295,000)**	-
Excess (deficiency) of revenue over expense for the year	**$ (617,003)**	$ 786,434

See accompanying notes to financial statements.

THE KENSINGTON HEALTH CENTRE

Statement of Changes in Net Assets

Year ended December 31,	**Internally restricted - Capital and debt repayment**	**Unrestricted**	**2017 Total**	2016 Total
Net assets, January 1	**$ 800,000**	**$ 10,236,416**	**$ 11,036,416**	$ 10,249,982
Excess (deficiency) of revenue over expense for the year	**-**	**(617,003)**	**(617,003)**	786,434
Net assets, December 31	**$ 800,000**	**$ 9,619,413**	**$ 10,419,413**	$ 11,036,416

THE KENSINGTON HEALTH CENTRE
Statement of Cash Flows

Year ended December 31,	**2017**	2016
Operating activities		
Cash received from the Ministry of Health and Long Term Care:		
- Kensington Gardens	**$ 17,928,898**	$ 17,487,226
- The Eye Bank of Canada (Ontario Division)	**2,523,501**	2,564,935
Cash received from resident co-payments	**8,172,123**	8,021,644
Cash received from Toronto Central Community Care Access Centre - Hospice	**962,500**	1,012,500
Cash received from operating donations and grants	**2,480,279**	742,018
Cash received from other services and interest	**1,389,618**	296,128
Cash paid to employees and suppliers	**(29,406,981)**	(27,706,784)
Net cash provided by operating activities	**4,049,938**	2,417,667
Investing activities		
Purchase of capital assets	**(211,003)**	(1,723,706)
Capital lease payments	**(21,427)**	-
Purchase of license	**-**	(2,295,000)
Net cash used by investing activities	**(232,430)**	(4,018,706)
Financing activities		
Cash received from capital donations	**2,939,674**	636,191
Promissory note advances received from related party	**-**	3,500,000
Payments for interest and principal on secured long term debt	**(3,255,360)**	(3,268,261)
Net cash provided (used) by financing activities	**(315,686)**	867,930
Increase / (decrease) in cash	**3,501,822**	(733,109)
Cash, January 1	**1,766,690**	2,499,799
Cash, December 31	**$ 5,268,512**	$ 1,766,690

1 Organization

The Kensington Health Centre ("the Centre") was incorporated by letters patent on March 1, 1955. The Centre is a registered charity under the Canadian Income Tax Act and accordingly is exempt from income taxes provided certain requirements are met.

The Kensington Health Centre owns and operates a 350 bed long term care facility ("Kensington Gardens") and a 10 bed hospice ("Kensington Hospice"). The Centre is committed to improving the health of its community by working with consumers and other providers to deliver culturally appropriate health care and related social service programs for people of all ages, as well as a continuum of long term care and complementary programs for seniors. The Centre operates The Eye Bank of Canada (Ontario Division) ("EBOC") which includes collecting, processing and distributing donated human eyes and tissue for sight-saving transplants.

During the prior year, the Centre purchased the assets of the KMH Cardiology and Diagnostic Centre (College Street). The transaction closed December 15, 2016 at which time the Centre began operating the Kensington Diagnostic Imaging Centre ("KDIC").

The related organizations to the Centre are The Kensington Foundation, The Kensington Cancer Screening Centre, The Kensington Eye Institute, The Kensington Research Institute and The Second Mile Club of Toronto.

The related corporations are operated by independent Boards of Directors, although certain directors may serve on more than one Board. The assets, liabilities and operating activities of the related corporations are excluded from the Centre's financial statements.

2 Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Revenue recognition

(i) Contributions

The Centre follows the deferral method of accounting for contributions which include donations and government grants.

Unrestricted contributions are recognized as revenue in the year 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 incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight line basis, at a rate corresponding with the amortization rate for the related capital assets. Contributions received to assist with the repayment of secured long term debt loan interest have been deferred and are being amortized straight line over the term of the debt.

The Centre receives funding from the Government of Ontario and The Kensington Foundation. Funding relating to capital expenditures is recorded as capital grants and recognized as revenue over the useful life of the related assets. Funding relating to current operations is recognized as revenue in the period earned. Amounts received in relation to future expenses are recorded as deferred revenue.

(ii) Resident revenue

Resident revenue is recognized when services are provided.

(iii) Fees for services

Fees for services revenue is recorded once the service has been completed.

(iv) Investment income

Investment income comprises interest from cash and investments. Revenue is recognized on an accrual basis. Interest on fixed income investments is recognized over the terms of these investments using the effective interest rate method.

2 Significant accounting policies (continued)

(b) Cash

Cash includes cash on hand and deposits in the bank.

(c) Inventory

Inventory is valued at the lower of cost or market. Cost is determined on a last-in, first-out basis.

(d) Capital assets

The Centre records capital assets at cost. The cost of a capital asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

A capital asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized in the statement of operations when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the capital asset exceeds its fair value. An impairment loss is not reversed if the fair value of the capital asset subsequently increases. As at December 31, 2017, no such impairment exists.

Capital assets are depreciated over their estimated useful lives using the straight-line method as follows:

Building	2.5% to 7%
Furniture and equipment	20%
Computer software	100%

A half-year of amortization is taken in the year of acquisition.

Amortization methods, useful lives and residual values are reviewed annually and adjusted if necessary.

(e) Intangible assets

Intangible assets represent the future economic benefits arising from the Independent Health Facility Licenses acquired through the business acquisition. Intangible assets are not amortized. Intangible assets are tested for impairment whenever events or changes in circumstances indicate that the fair value may be less than its carrying amount.

(f) Internally restricted reserve funds

The Board of Directors has established a Capital and Debt Repayment Reserve Fund to provide for future capital requirements. These internally restricted funds are not available for program delivery or other purposes without prior approval of the Board of Directors.

(g) Contributed services

The value of goods and services is recorded as revenue and an expense in the financial statements when the fair value can be reasonably estimated and when the goods and services would otherwise be purchased if not donated.

Volunteers provide invaluable donated services to the Centre. Since volunteer time is not purchased, these contributed services are not recognized in the financial statements.

2 Significant accounting policies (continued)

(h) Financial instruments

(i) Measurement

The Centre initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Centre subsequently measures all its financial assets and financial liabilities at amortized cost, except for cash which is measured at fair value. Changes in fair value are recognized in the statement of operations in the period incurred. Financial assets measured at amortized cost include accounts receivable and due from related organizations. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, due to related organizations, promissory note payable, obligations under capital lease and secured long term debt payable.

(ii) Impairment

At the end of each reporting period, the Centre assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. Objective evidence of impairment includes observable data that comes to the attention of the Centre. When there is an indication of impairment, the Centre determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset.

When the Centre identifies a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it reduces the carrying amount of the asset to the highest of the following: i) the present value of the cash flows expected to be generated by holding the asset discounted using a current market rate of interest appropriate to the asset; ii) the amount that could be realized by selling the asset at the statement of financial position date; and iii) the amount the Centre expects to realize by exercising its rights to any collateral held to secure repayment of the asset net of all costs necessary to exercise those rights. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the reduction is recognized as an impairment loss in the statement of operations.

When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the improvement, directly or by adjusting the allowance account. The amount of the reversal is recognized in the statement of operations in the period the reversal occurs.

(iii) Transaction costs

Transaction costs are recognized in the statement of operations in the period incurred, except for financial instruments that will be subsequently measured at amortized cost. Transaction costs associated with the acquisition and disposal of fixed income investments are capitalized and are included in the acquisition costs or reduce proceeds on disposal. Investment management fees are expensed as incurred.

(i) Management estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts 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 current period. Significant estimates include the useful lives of capital assets, impairment of accounts receivable and intangible assets and the retroactive liability representing wage accruals for unionized employees.

All estimates are reviewed periodically and adjustments are made to the statement of operations as appropriate in the year they become known.

3 Accounts receivable

As at December 31,		2017		2016
Resident receivables	**$**	**89,522**	$	106,186
Miscellaneous receivables		**181,860**		36,501
Due from the Ministry of Health and Long Term Care (note 13(a)(i))		**-**		114,926
		271,382		257,613
Allowance for doubtful accounts - resident receivables		**(26,551)**		(58,352)
Allowance for doubtful accounts - miscellaneous receivables		**(125,000)**		-
		(151,551)		(58,352)
	$	**119,831**	$	199,261

4 Related party transactions

(a) Due from (to) related organizations

The Centre has recorded the following amounts as due from related organizations:

As at December 31,		2017		2016
The Kensington Foundation	**$**	**481,994**	$	494,861
The Second Mile Club of Toronto		**128,005**		18,575
The Kensington Cancer Screening Centre		**100,980**		-
	$	**710,979**	$	513,436

The Centre has recorded the following amounts as due to related organizations:

As at December 31,		2017		2016
The Kensington Eye Institute	**$**	**655,297**	$	139,257
The Kensington Cancer Screening Centre		**-**		3,364
	$	**655,297**	$	142,621

The amounts due from The Kensington Foundation represent operational and capital funding provided to the Centre and donations collected on behalf of the Centre.

The amounts due from / to The Second Mile Club of Toronto, The Kensington Eye Institute and The Kensington Cancer Screening Centre represent a reimbursement of expenses incurred by the Centre on behalf of these affiliated organizations and prepayment for those expected expenses.

These transactions are considered to be in the normal course of operations and have been recorded at the exchange amount, which is the amount agreed upon by both parties. Amounts due from related organizations are non-interest bearing and are repayable on demand.

(b) Donations

The Centre has recorded contributions $2,030,755 (2016 - $1,047,046) from The Kensington Foundation during the year, of which $494,064 (2016 - $478,763) has been recorded as capital contributions received during the year.

4 Related party transactions (continued)

(c) Rental income

Included in other services and interest is rent of $83,453 (2016 - $84,797) received from The Second Mile Club of Toronto. Amounts received are considered to be in the normal course of business and have been recorded at the exchange amount, which is the amount of consideration agreed to by both parties.

(d) Rental expense

Included in EBOC and KDIC expense is rent of $183,670 and $188,212 (2016 - $169,470 and $9,033), respectively, paid to The Kensington Foundation. Amounts received are considered to be in the normal course of business and have been recorded at the exchange amount, which is the amount of consideration agreed to by both parties.

5 Capital assets

As at December 31,		**2017**		2016
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
Land	**$ 1,308,078**	**$ -**	$ 1,308,078	$ -
Building	**47,473,708**	**16,405,477**	47,387,362	15,219,714
Computer software	**53,073**	**53,073**	53,073	38,073
Furniture and equipment	**4,805,416**	**3,935,784**	4,680,768	3,679,892
Kensington Hospice	**7,295,500**	**1,177,022**	7,295,500	994,634
Assets under capital lease	**105,900**	**10,590**	-	-
	$ 61,041,675	**$ 21,581,946**	$ 60,724,781	$ 19,932,313
Net book value		**$ 39,459,729**		$ 40,792,468

6 Accounts payable and accrued liabilities

As at December 31,	**2017**	2016
Payroll related accruals	**$ 1,746,639**	$ 1,561,204
Trade payables and accrued liabilities	**1,392,075**	1,380,640
Due to the Ministry of Health and Long Term Care (note 13(a)(i))	**383,353**	139,755
Due to the Ministry of Health and Long Term Care (note 13(a)(ii))	**5,462**	-
	$ 3,527,529	$ 3,081,599

7 Promissory note payable

The term promissory note is due to The Kensington Foundation and is unsecured, due on demand and bears interest at 2.00%. The term promissory note requires payments of interest-only until maturity on December 9, 2018.

8 Secured long term debt payable

As at December 31,	**2017**	2016
First ranking secured loan with blended monthly payments of $210,603, bearing interest at 6.48% and maturing April 1, 2022	**$ 9,383,276**	$ 11,245,399
Second ranking secured loan with blended monthly payments of $48,627, bearing interest at 3.15% and maturing September 19, 2022	**2,571,236**	3,065,300
Third ranking secured loan with interest-only semi-annual payments, bearing interest at 4.50% and maturing October 31, 2021	**3,500,000**	3,500,000
	15,454,512	17,810,699
Less: current portion	**(2,494,597)**	(2,356,187)
	$ 12,959,915	$ 15,454,512

The first ranking secured loan is secured by a first ranking mortgage against the land and buildings of Kensington Gardens and a security interest in all present and future personal property (including rents and cash) of the Centre.

The second ranking secured loan is secured by a second ranking mortgage against the land and buildings of Kensington Gardens and a security interest in all present and future personal property (including rents and cash) of the Centre. This loan is also guaranteed by The Kensington Foundation.

The third ranking secured loan is owed to The Kensington Foundation, a related party and is secured by a third ranking mortgage against the land and buildings of Kensington Gardens and a security interest in all present and future personal property (including rents and cash) of the Centre. This loan was originally a second ranking secured loan but The Kensington Foundation provided a subordination and postponement of its mortgage and security in favour of the holder of second ranking secured loan described immediately above. Interest paid to The Kensington Foundation during the year relating to this mortgage loan totals $157,500 (2016 - $157,500).

The minimum required principal repayments over the next five years are as follows:

2018	$ 2,494,597
2019	2,641,586
2020	2,797,702
2021	6,463,528
2022	1,057,099
	$ 15,454,512

9 Deferred capital contributions

Deferred capital contributions represent the unamortized amount of donations received from The Kensington Foundation and other donors to assist with the construction and equipping of the long term care facility, to construct the hospice and to purchase other properties.

Year ended December 31,				**2017**
	The Kensington Health Centre	**The Kensington Hospice**	**Other Properties**	**Total**
Balance, beginning of year	**$ 5,665,805**	**$ 4,076,869**	**$ 804,146**	**$ 10,546,820**
Additional contributions	**-**	**2,939,674**	**-**	**2,939,674**
Less: recognized as revenue	**(470,749)**	**(206,148)**	**(26,985)**	**(703,882)**
Balance, end of year	**$ 5,195,056**	**$ 6,810,395**	**$ 777,161**	**$ 12,782,612**

Year ended December 31,				2016
	The Kensington Health Centre	The Kensington Hospice	Other Properties	Total
Balance, beginning of year	$ 5,994,070	$ 3,820,256	$ 829,939	$ 10,644,265
Additional contributions	132,068	504,123	-	636,191
Less: recognized as revenue	(460,333)	(247,510)	(25,793)	(733,636)
Balance, end of year	$ 5,665,805	$ 4,076,869	$ 804,146	$ 10,546,820

The Kensington Foundation has provided funding for the principal repayments on the Infrastructure Ontario mortgage loan totaling $494,064 (2016 - $478,763).

10 Operations of The Kensington Health Centre by division

(a) Kensington Gardens

Revenue and expense relating to the Kensington Gardens are as follows:

Year ended December 31,	**2017**	2016
Revenue		
Ministry of Health and Long Term Care operational funding	**$ 16,486,326**	$ 16,177,511
Resident co-payment revenue	**8,187,260**	7,998,905
Donations and operating grants	**1,685,765**	425,140
Ministry of Health and Long Term Care capital funding	**1,322,184**	1,325,806
Other services and interest	**196,354**	228,139
	27,877,889	26,155,501
Expense		
Salaries and wages	**15,746,304**	15,568,883
Supplies and other	**5,757,867**	5,580,930
Employee benefits	**2,400,945**	2,286,198
Mortgage loan interest	**812,688**	937,655
	24,717,804	24,373,666
Excess of revenue over expense for the year	**$ 3,160,085**	$ 1,781,835

10 Operations of The Kensington Health Centre by division (continued)

(b) The Eye Bank of Canada (Ontario Division) ("EBOC")

The Centre became the operator of the EBOC effective July 1, 2015. The operational costs of the EBOC are funded by the Ministry of Health and Long Term Care ("the Ministry") on a cost recovery basis.

Revenue and expense relating to the EBOC are as follows:

Year ended December 31,	**2017**	2016
Revenue		
Ministry of Health and Long Term Care operational funding	**$ 2,279,903**	$ 2,519,953
Donations	**35,830**	48,352
Other services	**54,688**	11,124
	2,370,421	2,579,429
Expense		
Salaries and benefits	**1,006,783**	1,223,676
Operations	**1,327,808**	1,307,401
	2,334,591	2,531,077
Excess of revenue over expense for the year	**$ 35,830**	$ 48,352

(c) Kensington Hospice

In August 2011, the Centre opened the Kensington Hospice, a 10 bed facility financed in part through the second mortgage loan as described in note 8. The operating expenses are funded in part by the Toronto Central Community Care Access Centre $1,050,000 (2016 - $1,012,500) and by The Kensington Foundation, a related organization, on a cost recovery basis.

Revenue and expense relating to the Kensington Hospice are as follows:

Year ended December 31,	**2017**	2016
Revenue		
Toronto Central Community Care Access Centre operational funding	**$ 1,050,000**	$ 1,012,500
Donations and operating grants	**752,691**	696,886
	1,802,691	1,709,386
Expense		
Salaries and benefits	**1,225,965**	1,154,406
Operations	**487,262**	450,215
Mortgage loan interest	**89,464**	104,765
	1,802,691	1,709,386
Excess of revenue over expense for the year	**$ -**	$ -

10 Operations of The Kensington Health Centre by division (continued)

(d) Kensington Diagnostic Imaging Centre ("KDIC")

The Centre became the operator of the KDIC effective December 15, 2016.

Revenue and expense relating to KDIC are as follows:

Year ended December 31,	**2017**	2016
Revenue		
Procedure fees	**$ 1,158,935**	$ 33,631
Donations	**1,185**	-
	1,160,120	33,631
Expense		
Salaries and benefits	**900,874**	36,143
Operations	**740,747**	266,159
Promissory note interest	**90,657**	3,068
	1,732,278	305,370
Deficiency of revenue over expense for the year	**$ (572,158)**	$ (271,739)

11 Impairment loss on intangible asset

The value of the Independent Health Facility licence was reduced to its estimated fair market value of $nil based on changes in market assessments, operations and estimated future cash flows. The impairment loss of $2,295,000 was recognized in expense.

12 Economic dependence

The Centre received funding of $27,877,889 (2016 - $26,155,501) for the Kensington Gardens and $2,279,903 (2016 - $2,519,953) for the EBOC from the Government of Ontario. This funding represents approximately 91% (2016 - 94%) of total revenue.

The Centre has entered into a Service Agreements with the Government of Ontario for the long-term care home. The Service Agreement sets out the terms and conditions related to the government funding. The Centre provides an Annual Report for the Kensington Gardens and EBOC to the Government of Ontario reconciling funding to expenditures. The Annual Reports are used to determine whether any amounts must be repaid to the Government of Ontario. Amounts repayable are estimated and accrued in the financial statements. The Government of Ontario may terminate the Service Agreements if it determines that the Centre is in breach of any of its terms and conditions and the breach is not cured within an established time period after written notice of the breach is provided. Upon termination, funding received in relation to certain capital assets may have to be repaid to the Government of Ontario if the related assets are sold.

13 Contingencies

(a) Ministry of Health and Long Term Care

(i) The Eye Bank of Canada (Ontario Division) ("EBOC")

As described in note 12, the Centre receives funding from the Ministry to assist with the expenditures of the EBOC. The amount of the funding provided to the Centre is subject to final review and approval by the Ministry. As at the date of these financial statements, funding for the period of January 1, 2017 to December 31, 2017 has not been subject to this review process. As at December 31, 2017 a payable of $383,353 (2016 - $139,755) has been recorded as due to the Ministry for this period. Any adjustments required as a result of the Ministry's review will be accounted for upon settlement.

13 Contingencies (continued)

(a) Ministry of Health and Long Term Care (continued)

(ii) Kensington Gardens

As described in note 12, the Centre receives funding from the Ministry to assist with the expenditures of the Kensington Gardens long term care facility. The amount of the funding provided to the Centre is subject to final review and approval by the Ministry. As at the date of these financial statements, funding for the period January 1, 2015 to December 31, 2017 has not been subject to this review process. As at December 31, 2017 a net payable of $5,462 (2016 - net receivable $114,926) has been recorded as due from the Ministry for this period. Any adjustments required as a result of the Ministry's review will be accounted for upon settlement.

(b) Canadian Union of Public Employees ("CUPE") accrual

The Centre has recorded the estimated liability for the period June 1, 2016 to December 31, 2017 representing wage accruals for CUPE employees currently entering the collective bargaining process. The accumulated accrual has been calculated based on an estimated wage increase as determined by management. Any differences between the accrual by management and the actual settlement will be accounted for in the year of settlement.

14 Commitments

(a) General contracts for services

The Centre has entered into various contracts for operational services, including facilities management, landscaping and office equipment rentals. Minimum annual payments, excluding HST, under the terms of these agreements over each of the next five years are as follows:

2018	$	202,916
2019		57,929
2020		57,929
2021		57,929
2022		7,241

(b) Premises lease with related party

The Centre has entered into leases for the premises of the EBOC and KDIC with The Kensington Foundation. The leases expire September 30, 2018 and January 31, 2022, respectively. The minimum annual payments, excluding TMI and HST, over each of the next five years are as follows:

2018	$	219,273
2019		184,846
2020		184,846
2021		184,846
2022		15,404

(c) Consulting Service Agreement

The Centre has entered into a Consulting Service Agreement ("the Agreement") for architectural services for the expansion of the Kensington Hospice. Compensation under the Agreement is fixed in the amount of $263,500 plus HST and approved disbursements.

15 Subsequent Event

On June 19, 2018, the Centre sold the land and building located at 42 Major Street for $1,958,000, resulting in an estimated gain of $943,000.

16 Financial instruments

The Centre is exposed to various risks through its financial instruments. The following analysis provides a measure of the Centre's risk exposure and concentrations.

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 Centre is exposed to credit risk through its cash and accounts receivable.

Resident accounts receivable are unsecured. Other receivables are comprised of public service body rebate receivable and amounts due from the Ministry of Health and Long Term Care which are secured by provincial and/or federal governments.

The Centre's bank accounts are held at one financial institution. Funds on deposit exceed the maximum amount insured and hence there is a concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that the Centre will not be able to meet a demand for cash or fund its obligations as they come due. The Centre meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations and anticipating investing and financing activities. The Company's exposure to liquidity risk has increased in the current year due to the decrease in the working capital position.

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 is comprised of currency risk, interest rate risk and other price risk.

Currency risk

Currency risk reflects the risk that the Centre's earnings will decline due to the fluctuations in foreign exchange rates. The Centre has no financial instruments denominated in a foreign currency and therefore is not exposed to currency risk.

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 Centre is subject to interest rate risk to the extent that its long term debt may be subject to interest rate changes on maturity and from its interest bearing assets. The Centre has not entered into any derivative agreements to mitigate this risk.

The Centre's cash includes amounts on deposit with financial institutions that earn interest at market rates. The Centre manages its exposure to the interest rate risk of its cash by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the Centre’s results of operations.

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 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 in the market.

The Centre is not exposed to other price risk through any of it's financial instruments.

Changes in risk

The Company's exposure to credit risk has increased in the current fiscal year due to the decrease in the working capital position.

There have been no other changes in the Centre's risk exposures in financial instruments from the prior year.