Financial Statements of

THE KENSINGTON HEALTH CENTRE

December 31, 2018

TINKHAM LLP | CHARTERED PROFESSIONAL ACCOUNTANTS

D C Tinkham FCPA FCA CMC LPA
P J Brocklesby CPA CA LPA
M Y Tkachenko CPA CA
M W G Rooke CPA CA LPA
A C Callas CPA CA
C R Braun CPA CA
G P Kroeplin CPA

300 - 2842 Bloor Street West
Toronto Ontario M8X 1B1
Canada

TEL 1 416 233 2139
TOLL FREE 1 877 283 3305
FAX 1 416 233 1788

TINKHAMCPA.COM

INDEPENDENT AUDITORS' REPORT

To the Members of
THE KENSINGTON HEALTH CENTRE

We have audited the accompanying financial statements of The Kensington Health Centre ("the Centre"), which comprise the balance sheet as at December 31, 2018, and the statement of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Centre as at December 31, 2018, 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 Opinion

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 Centre 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our opinion.

Information Other than the Financial Statements and Auditor's Report thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Centre but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to communicate the matter to those charged with governance.

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 Centre’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Centre or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Centre’s financial reporting process.

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 Centre’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 doubt on the Centre’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 Centre 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.

LLP

TORONTO, Ontario
May 28, 2019

Licensed Public Accountants

THE KENSINGTON HEALTH CENTRE
Balance Sheet

As at December 31,	2018	2017
Assets		
Current		
Cash	**$ 6,434,384**	$ 5,268,512
Resident deposits and trusts	**30,734**	26,627
Accounts receivable (note 3)	**484,241**	119,831
Public service body rebate receivable	**353,191**	364,714
Prepaid expenses and inventory	**389,472**	521,417
Due from related organizations (note 4)	**566,629**	710,979
	8,258,651	7,012,080
Capital assets (note 5)	**37,421,753**	39,459,729
	$ 45,680,404	$ 46,471,809
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (note 6)	**$ 3,248,924**	$ 3,527,529
Resident deposits and trusts	**30,734**	26,627
Deferred revenue	**-**	5,728
Due to related organizations (note 4)	**-**	655,297
Promissory note payable (note 7)	**3,500,000**	3,500,000
Current portion of obligations under capital lease	**23,578**	22,805
Current portion of secured long term debt payable (note 8)	**2,641,586**	2,494,597
	9,444,822	10,232,583
Obligations under capital lease	**53,708**	77,286
Secured long term debt (note 8)	**10,318,329**	12,959,915
Deferred capital contributions (note 9)	**12,138,391**	12,782,612
	31,955,250	36,052,396
Net Assets		
Unrestricted	**12,925,154**	9,619,413
Internally restricted (note 2(f))	**800,000**	800,000
	13,725,154	10,419,413
	$ 45,680,404	$ 46,471,809

Contingencies and commitments (notes 13 and 14, 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,	2018	2017
Revenue		
Kensington Gardens (note 10(a))	**$ 28,576,413**	$ 27,877,889
The Eye Bank of Canada (Ontario Division) (note 10(b))	**2,474,986**	2,370,421
Kensington Hospice (note 10(c))	**1,717,344**	1,802,691
Kensington Diagnostic Imaging Centre (note 10(d))	**1,282,721**	1,160,120
Gain on sale of real estate	**929,928**	-
	34,981,392	33,211,121
Expense		
Kensington Gardens (note 10(a))	**25,798,911**	24,717,804
The Eye Bank of Canada (Ontario Division) (note 10(b))	**2,461,650**	2,334,591
Kensington Hospice (note 10(c))	**1,717,344**	1,802,691
Kensington Diagnostic Imaging Centre (note 10(d))	**1,472,397**	1,732,278
	31,450,302	30,587,364
Excess of revenue over expense for the year before undernoted items	**3,531,090**	2,623,757
Add: Amortization of deferred capital contributions (note 9)	**1,424,075**	703,882
Less: Amortization of capital assets	**(1,649,424)**	(1,649,642)
Less: Impairment loss on intangible asset (note 11)	**-**	(2,295,000)
Excess (deficiency) of revenue over expense for the year	**$ 3,305,741**	$ (617,003)

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**	**2018 Total**	2017 Total
Net assets, January 1	**$ 800,000**	**$ 9,619,413**	**$ 10,419,413**	$ 11,036,416
Excess (deficiency) of revenue over expense for the year	**-**	**3,305,741**	**3,305,741**	(617,003)
Net assets, December 31	**$ 800,000**	**$ 12,925,154**	**$ 13,725,154**	$ 10,419,413

THE KENSINGTON HEALTH CENTRE
Statement of Cash Flows

Year ended December 31,	**2018**	2017
Operating activities		
Cash received funders:		
- Kensington Gardens	**$ 18,199,328**	$ 17,928,898
- The Eye Bank of Canada (Ontario Division)	**2,484,560**	2,523,501
- Hospice	**1,050,000**	962,500
Cash received from resident co-payments	**8,299,559**	8,172,123
Cash received from operating donations and grants	**2,263,382**	2,480,279
Cash received from other services and interest	**1,672,761**	1,389,618
Cash paid to employees and suppliers	**(31,645,066)**	(29,406,981)
Net cash provided by operating activities	**2,324,524**	4,049,938
Investing activities		
Proceeds from sale of real estate	**1,858,778**	-
Purchase of capital assets	**(526,102)**	(211,003)
Capital lease payments	**(25,713)**	(21,427)
Net cash provided (used) by investing activities	**1,306,963**	(232,430)
Financing activities		
Cash received from capital donations	**779,854**	2,939,674
Payments for interest and principal on secured long term debt	**(3,245,469)**	(3,255,360)
Net cash used by financing activities	**(2,465,615)**	(315,686)
Increase in cash	**1,165,872**	3,501,822
Cash, January 1	**5,268,512**	1,766,690
Cash, December 31	**$ 6,434,384**	$ 5,268,512

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 Income Tax Act (Canada) 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 and operates the Kensington Diagnostic Imaging Centre ("KDIC"), which provides x-ray, ultrasound, mammography and bone mineral density testing.

The related organizations to the Centre are The Kensington Health 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.

(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, 2018, no such impairment exists.

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

Building	14 to 40 years
Furniture and equipment	3 to 5 years
Computer software	1 year

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,		2018		2017
Resident receivables	**$**	**135,813**	$	89,522
Miscellaneous receivables		**246,545**		181,860
Due from the Ministry of Health and Long Term Care (note 13(a))		**163,347**		-
		545,705		271,382
Allowance for doubtful accounts - resident receivables		**(61,464)**		(26,551)
Allowance for doubtful accounts - miscellaneous receivables		**-**		(125,000)
		(61,464)		(151,551)
	$	**484,241**	$	119,831

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,		2018		2017
The Kensington Health Foundation	**$**	**234,083**	$	481,994
The Second Mile Club of Toronto		**12,174**		128,005
The Kensington Cancer Screening Centre		**185,747**		100,980
The Kensington Eye Institute		**133,700**		-
The Kensington Research Institute		**925**		-
	$	**566,629**	$	710,979

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

As at December 31,		2018		2017
The Kensington Eye Institute	**$**	**-**	$	655,297

The amounts due from The Kensington Health 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 of $2,014,471 (2017 - $2,030,755) from The Kensington Health Foundation in revenue during the year.

In addition, The Kensington Health Foundation has provided $509,853 (2017 - $494,064) which 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 $76,766 (2017 - $83,453) 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 $158,031 and $188,375 (2017 - $183,670 and $188,212), respectively, paid to The Kensington Health 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,		**2018**		2017
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
Land	**$ 1,308,078**	**$ -**	$ 1,308,078	$ -
Building	**46,706,217**	**17,416,050**	47,473,708	16,405,477
Computer software	**53,073**	**53,073**	53,073	53,073
Furniture and equipment	**5,019,626**	**4,227,519**	4,805,416	3,935,784
Kensington Hospice	**7,295,500**	**1,359,409**	7,295,500	1,177,022
Assets under capital lease	**105,900**	**10,590**	105,900	10,590
	$ 60,488,394	**$ 23,066,641**	$ 61,041,675	$ 21,581,946
Net book value		**$ 37,421,753**		$ 39,459,729

6 Accounts payable and accrued liabilities

As at December 31,	**2018**	2017
Payroll related accruals	**$ 1,626,288**	$ 1,746,639
Trade payables and accrued liabilities	**1,200,197**	1,392,075
Due to the Trillium Gift of Life Network (note 13(b))	**422,439**	-
Due to the Ministry of Health and Long Term Care (note 13(a))	**-**	388,815
	$ 3,248,924	$ 3,527,529

7 Promissory note payable

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

During the year the term promissory note was extended by six months, with a new maturity date of June 9, 2019.

The Centre has executed a debt refinancing term sheet to consolidate the term promissory note and the third ranking secured loan owed to The Kensington Health Foundation, as further described in note 8.

8 Secured long term debt payable

As at December 31,	2018	2017
First ranking secured loan with blended monthly payments of $210,603, bearing interest at 6.48% and maturing April 1, 2022	**$ 7,398,532**	$ 9,383,276
Second ranking secured loan with blended monthly payments of $48,627, bearing interest at 3.15% and maturing September 19, 2022	**2,061,383**	2,571,236
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
	12,959,915	15,454,512
Less: current portion	**(2,641,586)**	(2,494,597)
	$ 10,318,329	$ 12,959,915

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 Health Foundation.

The third ranking secured loan is owed to The Kensington Health 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 Health 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 Health Foundation during the year relating to this mortgage loan totals $157,500 (2017 - $157,500).

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

2020	$ 2,641,586
2021	2,797,702
2022	6,463,528
2023	1,057,099
	$ 12,959,915

9 Deferred capital contributions

Deferred capital contributions represent the unamortized amount of donations received from The Kensington Health 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,				**2018**
	The Kensington Health Centre	**The Kensington Hospice**	**Other Properties**	**Total**
Balance, beginning of year	**$ 5,195,056**	**$ 6,810,395**	**$ 777,161**	**$ 12,782,612**
Additional contributions	**-**	**779,854**	**-**	**779,854**
Less: recognized as revenue	**(468,039)**	**(178,875)**	**(777,161)**	**(1,424,075)**
Balance, end of year	**$ 4,727,017**	**$ 7,411,374**	**$ -**	**$ 12,138,391**

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

The Kensington Health Foundation has provided funding for the principal repayments of secured long term debt totaling $509,853 (2017 - $494,064).

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,	**2018**	2017
Revenue		
Ministry of Health and Long Term Care operational funding	**$ 17,045,953**	$ 16,486,326
Resident co-payment revenue	**8,310,936**	8,187,260
Donations and operating grants	**1,333,791**	1,685,765
Ministry of Health and Long Term Care capital funding	**1,322,184**	1,322,184
Other	**563,549**	196,354
	28,576,413	27,877,889
Expense		
Salaries and benefits	**18,856,102**	18,147,249
Operations	**6,262,704**	5,757,867
Mortgage loan interest	**680,105**	812,688
	25,798,911	24,717,804
Excess of revenue over expense for the year	**$ 2,777,502**	$ 3,160,085

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 Trillium Gift of Life Network (2017 - Ministry of Health and Long Term Care) on a cost recovery basis.

Revenue and expense relating to the EBOC are as follows:

Year ended December 31,	**2018**	2017
Revenue		
Trillium Gift of Life Network operational funding	**$ 2,445,474**	$ -
Ministry of Health and Long Term Care operational funding	**-**	2,279,903
Donations	**13,336**	35,830
Other services	**16,176**	54,688
	2,474,986	2,370,421
Expense		
Salaries and benefits	**1,189,469**	1,006,783
Operations	**1,272,181**	1,327,808
	2,461,650	2,334,591
Excess of revenue over expense for the year	**$ 13,336**	$ 35,830

(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 Local Health Integration Network (previously the Toronto Central Community Care Access Centre, which merged with the Toronto Central Local Health Integration Network in 2017) and by The Kensington Health Foundation, a related organization, on a cost recovery basis.

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

Year ended December 31,	**2018**	2017
Revenue		
Toronto Central Local Health Integration Network operational funding	**$ 1,050,000**	$ 1,050,000
Donations and operating grants	**667,344**	752,691
	1,717,344	1,802,691
Expense		
Salaries and benefits	**1,243,205**	1,225,965
Operations	**400,464**	487,262
Mortgage loan interest	**73,675**	89,464
	1,717,344	1,802,691
Excess of revenue over expense for the year	**$ -**	$ -

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

(d) Kensington Diagnostic Imaging Centre

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,	**2018**	2017
Revenue		
Procedure fees	**$ 1,282,721**	$ 1,158,935
Donations	**-**	1,185
	1,282,721	1,160,120
Expense		
Salaries and benefits	**952,626**	900,874
Operations	**446,864**	740,747
Promissory note interest	**72,907**	90,657
	1,472,397	1,732,278
Deficiency of revenue over expense for the year	**$ (189,676)**	$ (572,158)

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 in 2017.

12 Economic dependence

The Centre recognized $18,368,137 (2017 - $17,808,510) of operating funding for the Kensington Gardens from the Ministry of Health and Long-Term Care. This funding represents approximately 53% (2017 - 54%) 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 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 funding

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, 2018 has not been subject to this review process. As at December 31, 2018 a net receivable of $163,347 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.

13 Contingencies (continued)

(b) Trillium Gift of Life Network funding

The Centre receives funding from the Trillium Gift of Life Network ("the TGLN") 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 TGLN. As at the date of these financial statements, funding for the period of January 1, 2018 to December 31, 2018 has not been subject to this review process. As at December 31, 2018 a payable of $422,439 has been recorded as due to the TGLN for this period. Any adjustments required as a result of the TGLN's review will be accounted for upon settlement.

14 Commitments

(a) General contracts for services

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

2019	$	104,769
2020		104,769
2021		104,769
2022		54,081
2023		46,840

(b) Premises lease with related party

The Centre has entered into leases for the premises of the KDIC with The Kensington Health Foundation. The lease expires January 31, 2022. The minimum annual payments, excluding TMI and HST, under the terms of the lease are as follows:

2019	$	184,846
2020		184,846
2021		184,846
2022		15,404

15 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.

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

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